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Third Sector and Performance Management

Why performance management processes are needed in Third Sector organisations in Finland?

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The aim of this research is to answer the question: why performance management processes are needed in third sector organisations in Finland. In this paper, the writer focuses on to the concept of the third sector, its unique characteristics, workforce and the legal framework. The writer further discusses the unique challenges, vulnerabilities, and obstacles the third sector organisations have. The writer seeks to propose a positive link between performance management processes and third sector organisations.

The paper provides a deep dive analysis of the third sector in the Nordic countries and discusses performance management practices of the Finnish third sector organisations. The practices include current performance management and measurement processes, motivation, and transparencies of performance measurement findings.

In Finland, the third sector organisations identify volunteer engagement, grants and coping of participants as future challenges. However, the organisations do not associate a performance management process as a support mechanism or as a solution for the future developments. Only a few of the Finnish third sector organisations identifies the necessity of having a performance management process as a part of their activities.

Keywords	Third Sector, Organisation, Performance Management, Process, Measuring, Challenges, Vulnerabilities

Abbreviations and acronyms

EU	The European Union
INGO	International Non-Governmental Organisation
NGO	Non-governmental Organisation
NPI	Non-profit Institution
NPO	Non-profit Sector
NPS	Non-profit Organisation
MBO	Management By Objectives
PMS	Performance Management System
TSI	Third Sector Institution
TSE	Third or Social Economy
TSO	Third Sector Organisation
UN	The United Nations

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1 Introduction

In this thesis, the writer, will discuss the third sector and its unique characteristics hence evaluate the challenges and barriers for improvements. The discussion about the sufficiency and resilience of the Third Sector organizations (TSOs) has expanded from interest to concerns. The importance of the third sector is globally recognized, yet data of its impact and improvements as a part of welfare nations is lacking bulletproof data. When sufficient data of impact and improvements is not available, the TSOs have a hard time to compete for funding, members and helping hands. *"The recognition of the third sector in Europe is still poor." (Enjolras 2018: 1).* One way to increase the recognition and validity is to bring data to the table and one of the ways to implement this is to introduce performance measures. This means that an introduction of a performance management system (PMS) should be in the agenda of any organisation before it is too late.

> "Finnish NGOs live in an uncertainty and under a structural change. Or this is how leaders of Finnish NGOs feel. Uncertainty of action, speed of the change and the complexity are increasing. At the same time, many of the existing organizational structures need to be reformed[1]": Osana Oy (29.11.2019).

When discussing the implementation of a performance management system to any organization or institution, one of the first steps is to identify the unique characteristics of the organisation. Being true to the method, the writer begins the study by evaluating the third sector and its organisations and institutions at scope by defining the characteristics, role, and the history of the Third Sector. Another cornerstone for any successful implementation is to evaluate the status quo and the possible vulnerabilities, many of which can be already identified and some of which can only be projected. In the second part of the thesis the writer aims to further analyse the workforce, trust of internal and external stakeholders, transparency of information, funding, trending of co-operations, and issues in managing performance. To niveaux the findings together, the writer aims

[1]Suomalainen järjestötoiminta elää epävarmuudessa ja rakennemuutoksessa. Näin kokevat suomalaiset järjestöjohtajat. Toiminnan epävarmuus, muutosten nopeus ja monimutkaisuus ovat kasvussa. Samaan aikaan monet nykyiset organisaatiorakenteet tarvitsevat uudistamista.

to discuss an implementation of a performance management system to a third sector organisation as a solution. Lastly the writer takes Finnish Third Sector organisations as an objective and aims to further evaluate their current performance management system processes and methods.

2 Third Sector

A Finnish proverb *beloved child has many names*[2] describes a beloved person or a beloved subject that has many pep names or ways to describe its existence. The reason why the proverb is used in this context is because it fits perfectly when discussing the topic of the *Third Sector* (TS). For a person coming from the UK or from the southern parts of Europe, the term *social economy* might be more familiar, whereas for a person coming from Central or Eastern European country the term *civil society* is taking the most votes. Some countries might be in between two terms, such as in Germany, where it is highly popular to use either *civil society* or *non-profit sector (NPS)*. In the Nordics, and especially in Finland, the term *third sector* is most commonly used, but sometimes the writers tend to favour *voluntary sector*. The underlying reason for several names is based on the different structures of the individual states and their legislations yet all aforementioned terms are acknowledged by the United Nations (UN 2018).

2.1 Concept

As already stated, some nations but also some institutions replace the term third sector with civil sector, civil society, volunteer sector, social enterprise sector, third or social economy, charitable sector, or non-profit or not-for-profit sector (Paton 2003; Ever & Laville 2004; United Nations 2003; European Union 2008; Hudson 2009; Salomon & Sokolowski 2018; Enjolras 2018). Some people call it the TS as it is an undefined sector which includes institutions that aren’t either government led - *public sector* (government), or privately led for profit making - *private sector* (corporations).

[2] “Rakkaalla lapsella on monta nimeä.”

The TS encompasses a tremendous diversity of institutions, organisations, associations, foundations, charities, entities, mutuals and many individual volunteers, and what falls under its big umbrella is also dependent on the nation it belongs to (Paton 2003; Ever & Laville 2004; Salomon & Sokolowski 2018: 10). Salomon and Sokolowski conceptualized the TS into a graphic representation (Figure 1) where the non-profit institutions (NPIs) are in the epicentre of the sector yet leave cooperatives & mutuals; social ventures; and activities without pay on the sides of the main sector.

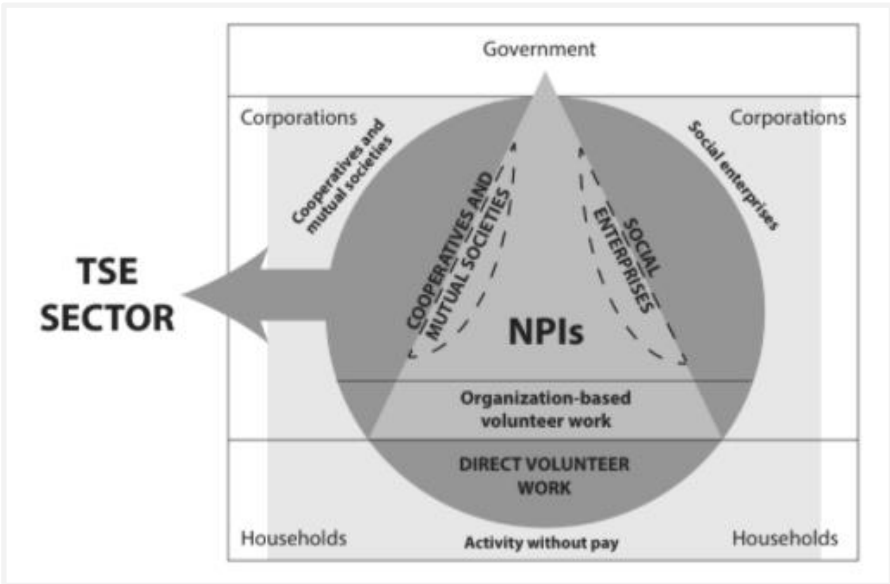

Figure 1. Third or Social Economy sector according to UN (UN 2018: 29)

As shown in Figure 1, the scheme of different institutions, organisations and activities in this sector is colourful, yet there are certain terms which are associated with most of them if not in all of them. Most commonly used terms are *philanthropy, volunteerism* and *charity*. *Philanthropy* (φιλανθρωπία*)* which means “the love of people” is a philosophical term which originates from a Greek word before Christ. The term itself is so old that it is possible to argue that the philanthropy act, which is a vital part of many third sector organisations, has been present for thousands of years. Another term to accompany philanthropy is *charity* (*⟨ΠΓ∫)* which directly means “grace” but also subsequently “favour, and goodwill towards another” (Hudson 2009: 2). Last but not least is the term *volunteer* which originates from France, a word *volontaire* originates from the 1600s and means “one who offers himself for military service”. Hudson stated that “*the central* *philosophy that permeates virtually every part of the third sector is the human desire to assist other people without gaining personal benefit*" (Hudson 2009 : 1).

All the three terms are very commonly used nominators between different nations when referring to the third sector, its institutions and professionals. These professionals show interest towards individuals or a cause, are voluntarily willing to fight for their loved ones or a project, without expecting anything in return in solemn grace. The act of kindness and helping others has been present without a clear definition for years due to human nature. Although Pynes (2013: ch 12) suggests that *there is no one reason why individuals volunteer,* Lipp (2009) argued that humans themselves are gregarious by nature and have an urge to help and assist others, and therefore, it has enabled humankind to survive.

Although there are attributes, which most theorists and nations agree with, some people are still repressed. Enjolras (2018) stated that especially the third sector in Europe lacks a clear identity and its role in the European public space is not clear-shared. One of the main reasons for this is the manifold of beliefs and values, and the way these organizations come to existence - through self-organized citizen-based initiatives. Another reason is the lack of recognition, common identity, and awareness that has pulled down the visibility and political legitimacy (Enjolras 2018 : 2). The kindness-DNA is such a vital part of human nature and third sector that it seems that its existence has been taken for granted for so long, and until the recent decades.

2.2 Role

The legal framework of the sector began globally in different parts of the world during the 1800s but its significance was "*re-discovered*" (Anheier 2005: 11) at the end of the Cold War in the late 1980s early 1990s. Indeed, during the past few decades, third sector organisations (TSO) have become more central in the policy debates. Anheier (2005: 10) suggested that the sector is now *a major economic and social force* and demand for human services is needed and unfortunately, the public nor the private sector alone is unable to provide it. The sector has not only been re-discovered but also *the research agenda has expanded significantly,* (Anheier 2005: 12) indicating that theory has increased yet the data is at scare. One of the new focus areas is on *major policy initiatives* (Anheier 2005: 12), which indicated that many of the most successful and biggest NPIs impact not only national but also international policymaking. Indeed, the role of the organisations is to assess thus advocate issues on a national but also on an international level. They facilitate the conversation upward from minority groups or people in needs and downward help from the government by distributing the negotiated aid. (Popowska & Łuński 2014: 40) Hence, Anheier added that the "*policymakers, rural and urban planners use the sector for development and regeneration".* (2005: 10) Just a few decades ago, the sector was even described to be "*esoteric and irrelevant*"(Anheier 2005 : 12), but it could be argued that this is in the past now. Additional trend for a new role has been emerging during the past decade. The TSOs have also begun to provide technical assistance for private corporations due to their knowledge and direct access to social stakeholders. (Popowska & Łuński 2014: 39)

In contrast, Enjolras stated that "*compared to the 1990s and 2000s, the general picture facing the third sector in Europe is currently less encouraging -- the third sector and its organisations are no longer perceived as key problem solvers by the European Commission"* (Zimmer 2018: 127). Although there can be seen a decrease in favouritism, as TSOs might not enjoy priority in the European Commission anymore, the sector is still remarkable in its size and therefore should not be belittled. In 28 European Union countries (including Norway), TSOs have been able to engage an estimated 28.3 million full-time equivalent (FTE) workers, both paid and volunteers according to recent polls and studies. (Enjolras 2018, EU 2018)

The roles of the 28.3 Million people in the European societies is colourful. They offer fun and educational hobbies and provide helping hands to the ones in need. They offer football clubs for young teens or chess clubs for the elderlies in the form of *sports and recreational clubs*; they offer painting classes for disabled children in the form of *arts and cultural association;* they offer free first aid courses or drug education in the form of *educational services*; they offer places where to practice your faith in communities in the form of a *faith-based organisation;* or they can offer food for refugees in the form of *humanitarian assistance or relief organisation*. (UN 2018: 1) All the different roles are important, but exist in a volatile environment where the priorities compete and are ever-changing as one role might become more important than another one just within overnight.

Third sector organisations and institutions can be clustered based on their unique missions or niche areas however, some theorists have identified additional sets of role clusters. Kramer (1981) identified four (4) different roles organisations and institutions are expected to perform; *service-provider role*, a role in which the organisation delivers goods or services for the minorities; *vanguard role*, a role of an innovative change agent where the need for an organisation is discovered before national governments or for-profit organisations have even thought about it; *value-guardian role*, a role in which the organisation often identifies or presumes cultural, social, or political preferences; and lastly *advocacy role*, a role in which the organisation is advocating processes and new or updated designs to existing policies.

Salamon, Hems & Chinnock (2000) identified five (5) hypothesized contribution roles. The first four follow the same structure although have slightly different terminology as Kramer's roles by being the service provider role, innovation role, advocacy role, and *expressive and leadership development role.* The fifth, an addition to Kramer's roles, is *community building and democratization*. Salamon et al. (2000) argued that the fifth role is a role of encouraging communities into social interaction, and by this way, it can contribute to the diversity and community all at once.

Throughout the years, roles of TSOs have evolved from national change makers to international change makers. International non-governmental organisations (INGOs) differ from the national organisations due to their size and areas of influence. Anheier (2005: 11) identified 261% increase of INGOs from 13,000 to 47,000 between the years 1981 and 2001. Most notorious INGOs which operate in Finland are *Greenpeace* - fighting for environmental issues in 50 countries, *Amnesty International* - fighting for human rights in 70 countries and *Save the Children* - fighting against poverty and in 117 countries. The reach, the budgets, and the manpower of these organisations are huge, but so is their influence in the societies globally.

2.3 Classification

Although anyone and everyone can group and act for the commonwealth, some classification is needed to support the concept and role of the Third Sector. Although Enjolras (2018: 3) stated that the conceptualization of the third sector is "*not a goal itself, yet a necessary step"*. The classification can be difficult to say at least, and a few theorists have suggested frameworks, which almost all, do follow a similar structure. According to Salamon and Anheier (Salamon & Anheier 1997: 9) the organizations in the third sector are *organised* - as they possess some institutional reality, *private* - as they are institutionally separate from government, *non-profit-distributing* - as any profits are generated to their owners or directors, and *self-governing* - as they nominate their own board of leaders and the participation is *voluntary*."

Much of the classification information is available as a top-to-bottom information from global institutions, such as the United Nations (UN) or European Union (EU), to the states, individual volunteers, and smaller organizations. The United Nations (UN) suggested an internationally agreed standards, three identification factors in their publication on the *System of National Accounting Handbook* (SNA 2008). The identification factors are for the huge umbrella of third or social economy (TSE), and are as follows:

1. They are private (not controlled by government)
2. Their main purpose is to serve a social or public purpose rather than to maximize and distribute returns on invested capital
3. Engagement in them is voluntary (done by free will and without coercion).

Many of them are followed or identified by other scholars as well. *They are private* - indicates that organisations and institutions are not controlled nor managed by the national governments. Although governments across the globe have set legal forms and requirements for the sector due to monetary or taxation interests, the organisations themselves are not part of a government department or local authority. The core factor is that these organisations are independent of the state, and they are governed by an independent group of people, a great mix of paid workforce and volunteers (UN 2008, Howieson et al. 2014).

Secondly, *their main purpose is to serve a social or public purpose rather than to maximize and distribute returns on invested capital.* One of the main, globally agreed monetary characteristics of a TSO is that the organisation mainly aims to generate material interest for its investors or aims to distribute the collective wealth (Ever & Laville 2004, UN 2003). Their purpose can be supporting of a healthier balance between the other two sectors, by managing the excesses of capitalism, and the inefficiencies of the state. These institutions also give societies and individuals an opportunity to promote social values and civic goals, and by this, they serve for the public purpose (Popowska & Łuński 2014: 40). Generally, this is true, however, especially in the Nordic countries there are a few institutions who function as a middleman. Finland's Slot Machine Associations aim is to generate profits however, the profits are further distributed to the economy by investing in smaller causes and organisations.

Thirdly, *the engagement in them is voluntary.* Volunteers are individuals who offer themselves to serve a common cause without expectation of a monetary return (Berardi & Rea 2014: 209). Volunteers are a major component of any TSO (Berardi & Rea 2014: 206), however, an organisation does not necessarily need volunteers in order to run (Marjovuo 2009: 17). Furthermore, although volunteering is often the biggest single generator of a TSO, it is not a mandatory attribute of an organisation (Marjovuo 2009: 17). Volunteering and volunteer work together with professional workforce are often linked to generating material interest in TSOs. It is also vital to identify what kind of volunteering third sector volunteering encases. Informal volunteering is defined as an activism through informal channels or organisation to other fellow citizens, whereas formal volunteering is executed through an institution or an organisation. The United Nations has stated that the not-for-profit organisations (NPO) should engage people without compulsion and the activity should be non-compulsory (UN 2003: 16). European Union states that "*Volunteering is the most visible expression of promoting solidarity, facilitating social inclusion and building social capital*" (UN 2018: 4). Alone in Europe, there are 28,3 million volunteers which is five times the amount of people who work in financial and insurance all together. (UN 2018)

> "Some NGOs reject existing social and political structures and see themselves as engines for radical change; others focus on more gradual change through development of human resources (usually through group formation) to meet their own needs or to make claims on government services; yet others focus more

> simply on the provision of services (e.g., advice, input supply) largely within existing structures" Popowska & Łuński (2014 : 39).

Although these organisations vary due to their monetary set-ups, of their causes, their missions, their bases of faith, their workforce, their individual characteristics, their academic sphere and political background, not to forget to mention - how the cultural environment has shaped them and made these organisations nationally and internationally unique, they have the three aforementioned factors in common.

2.4 Members & volunteers

When looking at the workforce of the TSOs, almost every organisation has a massive overtake of non-paid workers, also known as volunteers. Volunteers are individuals who offer himself or herself to serve for a cause without expectation of a monetary return (Berardi & Rea 2014: 209). Volunteers are a major component of any organisation (Berardi & Rea 2014: 206), but an organisation does not necessarily need volunteers in order to run. (Marjovuo 2009: 17)

Many individuals volunteer for different reasons, some due to intrinsic rewards such as self-actualisation, for some the cause itself might be important, some participate due to the social status, whereas some due to passion (Marjovuo 2009; Berardi & Rea 2014; UN 2003). Mirvis and Hackett (1983: 3) also stated that "*non-profit jobs provide more challenge variety, satisfaction and intrinsic rewards than those in private enterprise or government.*" This wide set of motivation factors, intrinsic and extrinsic, influence the way volunteers are motivated or even passionate about the cause they are participating. Yet, managing volunteers can be a very subtle topic as they have the power to walk out the door at any given time. As volunteers receive no monetary compensation for the time and effort they put on the cause, the ability to see impact or gain self-fulfilment is crucial. Shin and Kleiner (2003 : 63) argued that effective management is crucial as it enlightens and maintains the motivation of the volunteers.

2.5 Legal framework

Third Sector organizations are also unique in their legal regulations and bodies. Wherever there are cash flows, there are taxes and that brings the interest of the national governments. Normally, any organization or institution, has to define a legal body whereas with TSOs, it is enough that the group possesses a *meaningful degree of permanence* (UN 2018: 18). These groups who do not register themselves and lack explicit legal standing yet meet the required criteria for possession, are classified as *informal organizations* (UN 2018: 34). However, there are many benefits to register an organisation as a TSO. In order to select and register an organisation, a legal body of the not-for-profit organisation must be evaluated based on the *purpose*, *cash flow* and *management* of the organisation.

Generally, it highly depends on the nation to which the organization is being registered at and therefore, each nation has its own classification and jurisdiction. The nations and organisations can only use the UN chart as an inspiration or guidance, yet each legal registration has to be done as per the state laws. Similar actions have to be made by any private company who wish to list itself for business.

Based on the nation, whether it be the United States or Finland, a different set of legal entity structures, requirements and tax benefits are identified. One, if not the most valuable benefit for acquiring a legal recognition for an organization, is the taxable benefits. Globally, organizations and corporations are taxed based on their income tax yet for NPIs the taxation is often significantly reduced or even non-existent. In some nations such as in Finland, an institution may claim itself as a tax-free organization (Vero.fi). However, if an institution is not legally registered the taxation is linked to the individual working on the behalf of the cause and is limited to claim exemptions.

According to the UN SNA Handbook (2008), an organisation may own assets, incur liabilities and engage in transactions, own rights, and bear full responsibility for the economic risks and rewards of its operations. The second most valuable benefit is the distributed liability. As mentioned above, a legal body is not mandatory to define, however, it is beneficial because as long as there is none to distribute the liability with, the person acting on the behalf of the organisation is liable. In order to distribute the liability, a registered organisation has to assign and manage its own governance. This governance is liable for the annual reports and manages the actions and continuity of the organisation.

For nations such as The United States of America where the gap between the public sector organisations and private sector organisations is so big, the TS has received a permanent and important place in the economy. Due to the significance of the sector, the legislative work has clustered NPIs in more defined entity clusters such as benefit corporation, non-profit corporation and multi-body corporation just to name a few (TLP 2016). When comparing USA to Finland, there is only one legal form for an institution although the organisation might call itself as association, institution or charity (Yhdistyslaki 26.5.1989/503). In order to select the correct legal form, an organisation in the USA, the institution has to evaluate its purpose. Once a purpose is defined, the second step is to evaluate the income and possible funding of the organisation. Should it be from funding, membership fees or other assets. When the aforementioned attributes have been defined, the organisation may select the most suitable legal body to match its mission.

3 Unique challenges of the Third Sector

Managing and running any type of organisation or an institution is not easy and when talking about a sector which has many roles and forms, the challenges are inevitable. Compared to the other sectors, managing an organisation in the third sector is much regulated, but not only by bureaucratic but by the assumptions of the external but internal stakeholders. However, on top of the bureaucracy, there are unique challenges, vulnerabilities and obstacles which occur in the TS only.

3.1 Vulnerabilities

Each sector has its own characteristics and vulnerabilities which makes the sector perfect with its imperfections. According to Salamon et al. (2000) the five (5) vulnerabilities that are unique to the TSO are *particularism, paternalism, excessive amateurism or professionalism, resource insufficiency, and accountability gap*.

Particularism indicates that the organisation and its cause might be discriminating as the groups may vary in their resources, or they want to distribute the help only with people who share the same faith. Popular particularism organisations are indeed faith-based organisations, where the scope of individuals held have to come from the same faith or the person volunteering for the organisation must themselves share the faith base. Co-operations which are multiplying do suffer from the particularism issue as well. Pekkonen (Markkinointi & Mainonta 2018) wrote that the success of a co-operations isn't always seamless. The reasons to hinder the projects can be varying goals and stigmatization according to the author. A goal of the corporation might be positive press or compensation for its profitmaking actions which are seen hurtful for the environment, also known as greenwashing. On the other hand, the organisation might wish to gain visibility for its faith-based organisation this way, although it might not be on the agenda of the corporation. Stigmatization is scarce on both sides of the partnership. An institution might experience lack of credibility in its causes if they work too closely with a profitmaking company. These roadblocks might delay the project or leave it completely on the drawing boards.

Paternalism, which indicates that the organisations reinforce dependencies between governments, religious groups, and other cultural convictions in the lack of alternative resources and in the other hand affect their individual liberty. TSOs are self-governing, however, as capital is needed in order to run the cause, the major aid issuers such as the EU and national governments impact their action plans. Additionally, the aforementioned institutions limit the action of TSOs through bureaucracy, and by limiting public places where to practice the important matters of TSO's (TSI Project 2015). Zimmer and Pahl (2018) argued that the EU influences the TSOs by overall neglecting it and favouring only the business-like activities that are favourable for the economy.

Excessive amateurism or professionalism, which indicates that quantity of volunteers does not cover quality, and therefore, the organisations often lack a skilled workforce. Just like private sector companies, TSOs want to acquire people with the right amount of motivation and skill. In the USA, it is cheaper for a Stanford graduate to work for a private company, earn annually 400 000 dollars and donate part of the amount she or he would pay in taxes to a chosen organisation. This way, the person can gain self-actualisation, social status and live its life happily by bringing the deeds according to Pallotta (TedTalk 2013). Additionally, they get to deduct from their income tax (United States Government 2020). What also would be vital for an TSOs, would be to engage the knowledge of the Stanford graduate rather than receive the donation according to Pallotta (TedTalk 2013). However, the wages of the TSO have not been skyrocketing in the same way as wages in the private sector, as it is morally seen bad that a person would receive significant financial gain in return for the philanthropic work.

Resource insufficiency indicates that there is never enough resources to cover the needs of the communities and the range of human problems. New issues emerge each year but the helping hands do not often end up in the right organisations if even to an organisation at all. As more organisations and missions are established each year, it is harder for new members to select which organisation one should participate as a member, as an employee or as a volunteer. Although there is a significant amount of people volunteering annually, 28,3 million across Europe (UN 2018), the overall amount of volunteering has been decreasing during the recent years.

Accountability gap, which indicates that the fifth key vulnerability is the lack of working mechanism for measurements and this way for accountability. This leads to the general issue of transparency of information. According to Popowska & Łuński (2014) the issue is the asymmetry of the information. In this assumption the "*other side of exchange knows much more than the other side*" (Popowska & Łuński 2014: 35). The asymmetric information can partly be possible due to the imperfectly working market where certain information is kept hidden due to the common opinions expectations for the third sector market. Naturally by time, the *buyers*, in this case the people who make the donations begin to avoid the *sellers*, workers of the NGOs due to dissatisfaction. This assumption also goes well together with the results of the Edelman Trust Barometer study, where the informed population was more likely to trust in NGOs than the general population (Edelman 2018).

Transparency on the cost of actions whether to be the hours spent or the money issued is now more important than ever and investors want to be sure that they can account that the organisation spends the money well. Although the institutions share their impact tracts, they lack providing links to how the results were made. Pallota (TedTalk 2012) mentioned two crucial stigmas around costs and spending is associated with the TSO's actions. One of them was paying for talent and management and the other one was money spent on marketing and advertising activities. Nesbitt (The Guardian 2014) even wrote in his article that ethical spending can lead to an ethical minefield where every way of making money for the public good or even spending it, can be doomed as unethical.

Spending in marketing is not different when talking about ethical spending. Arthur & Appiah-Kubi (2020: 4) argued that *"it is necessary that the managers of these organisations assess whether the organisation is using the donated money effectively and efficiently and also ethically to achieve its mission and vision*". Some people address the ethical spending, it is necessary not how much is being spent for a certain part of the action but what is received in return. Pallota (2013) brought an example of spending more for the visibility of widely spread yet expensive papers adds over paper ballots. The example organisation received a lot of criticism when the amount of spent on marketing was shared just based on the dollar figures. Although the organisation shared their outcomes of a massive gain in raised money, the damage was already done and soon, the organisation was out of business. In a light where every organisation would share their spending, even to highly argued activities, it could argue to raise its accountability.

Other researchers support that the lack of accountability towards the action thus organisation mission hinders the performance. Hasan & Onyx (2008) compared the accountability factor to the private and public sector by stating that indeed, every individual and organisation should be accountable thus the "motherhood" of accountability should rely on the hands of the Third Sector. When discussing accountability, it is important to note *to whom* the organisation is accountable for and *what* indeed is being accounted.

3.2 Obstacles

Although there are certain challenges and vulnerabilities that occur in the sector and its functions, Zimmer & Pearson (World Economic Forum 2019) acknowledged that there are also six (6) obstacles which hinder the progress of elevating the sector to another level. They argued that the obstacles were: *the structure of the sector does not promote innovation; the sector does not have consistent access to capital; complex agendas; non-transparent reporting; the media loves new non-profits; and leaders struggle with burnout.* The trend of the accountability issue is much apparent in this section yet, the accountability vulnerability and its acknowledgement niveous the obstacles in this chapter together.

First, *the structure of the sector does not promote innovation.* The opposite side of the coin for innovation is a failure, and currently, the sector supports conservative impact metrics on exclusively positive results instead of neutralizing failures. *"An organisation may have started out with the creative energy and enthusiasm of youth, but decades later down the line it is not likely to have grown paunchy"* (Paton 2003: 8). The public should support and create an environment where NGOs are not doomed when *taking risks on new innovations and ideas* (Pallotta 2013). Due to their nature and flexibility, NPOs can mould to the purpose much faster than corporations or politically influenced public sectors (Pallotta 2013, Popowska & Łuński 2014). The results are often wanted fast but although the institutions are more flexible, it takes *time* for any organisation to deliver wanted results. When comparing NPOs and corporations an often run many years before making any profit whereas NPOs are expected to sometimes deliver within months (Pallotta 2013). As results are not seen fast, the trust in the action decreases and another institution might experience decreased trust if a competitive institution is able to bring or share measures faster.

Second, *the sector does not have consistent access to capital.* The capital comes mainly in a form of government aid or a funding from ultra-wealthy individuals. As per seen in the statistics in Figure 2 (Statista 2019), education and social services dominate how the money is being distributed whereas other cases receive fewer funds. Nilekani argued that *"funding is so closely tied to the vision of success that social organisations are forced to find ways to claim success, not necessarily for societal outcomes but for continuity of funding"* (World Economic Forum 2019).

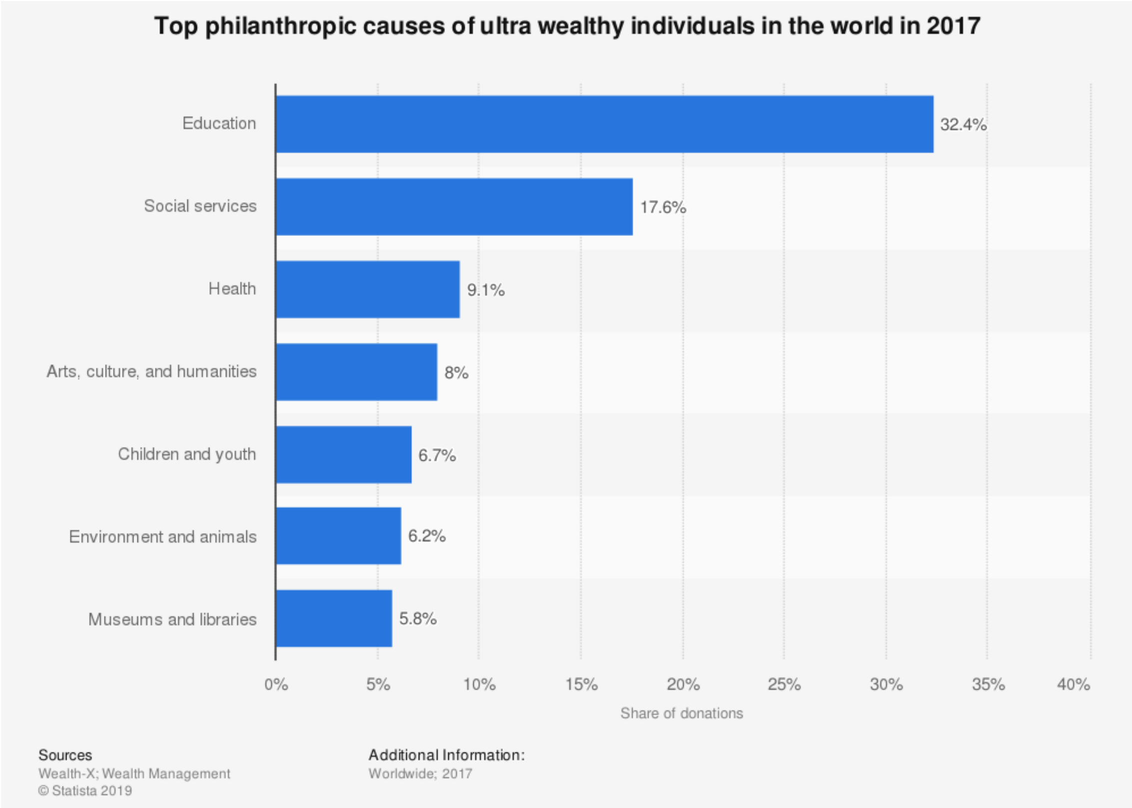

Figure 2. Philanthropic causes of ultra wealthy individuals Statista (2019)

Third, *complex agendas*. Although the organisations have their own agendas, a large funder might want to either change the focus or add their own interests in the agenda. It could be argued that when the mission of the organisation is stated clearly, and projects are being outlined and prioritized, the agendas will stay more focused. However, due to the lack of management and measurement systems, the agendas and priorities of TSOs stay complex.

Fourth, *non-transparent reporting*. The non-transparency could be further clustered in internal and external transparency. Positive impact results and funding walk hand-in-hand, and therefore, the reporting of accurate results of impact is infringed by the positivity bubble. This can be clustered as external transparency as the capital of the organisation comes mainly from aids or membership fees. The other side of the coin is internal reporting, where the positivity bubble is also apparent.

Fifth, *the media loves new non-profits.* Today's world and especially the media loves everything new. The constant desire for newness creates a short-term story graveyard. The media should also be transparent and provide stories of older companies and their abilities to cope with the change.

Sixth, *Social sector leaders struggle with burnout*. As TSOs keep their doors open for new volunteers, the paid employees are often expected to do the same, to volunteer their own time and resources on top of their work. The people tend to forget that the paid FTEs work in order to bring food to their family's tables, in other words, they also do it for the money. This creates a dilemma where the employees themselves are forced on the edge of burnouts.

3.3 Summary and suggested solution

When looking at any TSO, the challenges and vulnerabilities are just part of the work, and working harder, is perceived as one of the solutions to tackle the challenges. However, many studies indicate that the coping of the participants is at stake (Kansalaisareena 2018, NTEN 2019). Therefore, the old proverb "*work smarter - not harder*" fits to the current situation quite well.

Additionally, the public is not necessarily right nor wrong, but a fear that chronic underperformance of TSOs is widespread. Scare of rising competition against other TSO's is decreasing trust in charities according to the Charity Commission for England and Wales. The Charity Commission discovered that during this past decade, the public's trust in charities has decreased from 6.3 to 5.5 out of possible 10 (Charity Commission for England and Wales 2018: 5). The parameter for benchmarking trust was linked to the amount of donations made. The Commission argued that if a person lacks trust in the organisation or the cause, she or he is less likely to donate. However, linking the trust only to the donations leaves out the possible inflation and economic troubles.

Another trust barometer was made on the same year, focusing on *trust at work* (Edelman 2018). In the study, the results indicated that the trust in NGOs had increased during the past few years. However, in this study, all three sectors - private, public, and third sector were put on the line. This leaves room for errors as an individual might anchor his or her answers on the base of the projection between private and third sector. Hence, the public and private sector have historically always performed poorly compared to the third sector. Overall, the result of trust in NGOs by the informed respondents was 69% which is one percent more than the business sector. However, looking at the public, the trust in the year 2019 was 56% for both, NGOs and public businesses (Edelman 2018).

Although improvements in the trust sector has been made, there is still a long way to go. In the same Charity Commission study, the participants also anticipated that they were least likely to trust the management of charities to be well-managed (Charity Commission for England and Wales 2018: 10). According to the Commission, the way to tackle the trust issue is to become more transparent by providing the public with more information such as fundraising statements, a regulator watermark, impact statement and share the distribution of the funds (Charity Commission for England and Wales 2018: 10).

Indeed, luckily all organizations in the sector do not share the same challenges mainly due to the fact that they have found resilient ways of coping with change. However, the strong historic functions of this sector and its organizations hinder the whole sector in the face of stakeholders. Change does not happen overnight, but the sector is on a right path. Something that individuals, organisations, and nations agree is the importance of data, and the importance of measuring it. A clearly functioning system will additionally increase the accountability, should the result be then good or bad. Furthermore, valuing of data but also sharing it, also can: *boost the credibility of the third sector by demonstrating its magnitude and therefore justify greater attention; expand the political clout of the third sector; validate the work of volunteers; enhance the legitimacy in the eyes of the citizens; deepen the consciousness and cooperation in the eyes of practitioners and stakeholder; and proof that the third sector has an important role in designing and implementing policies* (Salomon & Sokolowski 2018: 14). However, in order to share data, it has to be measured and managed. Therefore, suggestion of a link between third sector organisations and performance management processes has emerged and further evaluated in this study.

4 Third Sector and Performance Management System

Performance Management System (PMS) is a core part of any modern entity, and during its hundred years of study and theory of best practices, it has highly focused on private sector organisations. *“It is not that private firms are necessarily better run, but those that are badly run are likely to be gobbled up by others or forced out of business”* (Paton 2003: 8). This can also be an argument why private and public sector have implemented the PMS before the third sector. Aboramadan (2018) stated that the previous studies have focused mainly on sociology, psychology and ethics, instead of dedicating the studies to effectiveness, efficiency, also known as towards management systems. Interesting to note is also that although there are no obligations or standard practices on how to measure, the literature and few studies have proven that TSO’s activities and programmes are effective if good management practices including measurements are being used (Berardi 2014).

Performance management is now considered as the most crucial and strategic human resource development function to enable organisations to sustain in competition (Bhattacharyya 2011). Performance management can be defined as an enabler for an organisation to deliver a predictable contribution to sustained value creation (De Waal 2001) or it can be the direct link between employee’s performance and organisational goals and makes the employees’ contribution to the organisation explicit (Aguins 2005). Performance management systems assist organisations to reach and achieve their goals, they are able to prove their success and in the face of competition they will survive (Yap & Ferreira 2010). Therefore, it can be argued that increasing governance within TSOs and including a performance management system can be beneficial for all the stakeholders and above all, tackle the issue of accountability.

As third sector organisations are mainly run through volunteers. The lack of volunteers or funding is an attribute that could stop a TSO from being active but not an absence of PMS. Or is it so? If a well thought performance management practice can save a private sector firm, it can be argued to be able to save a charity in the same matter. *“When times get tough, it’s those programs that can prove their value with hard data that will survive” (Lipp 2009: 17).*

4.1 Managing performance

Peter Drucker was one of the pioneers to really study the volunteer sector and management practices and spent his last fifteen to twenty years focused on the NPOs many new theorists joined his lead and more studies arose. In 1954 Peter Drucker was inspired by the system of management and began the study of management by objectives (MBO). He was the first one to introduce a process of management, a system where the measurements of an employee's input is compared to the actual performance in a cyclical process. Drucker justified his view that performance requires that each job is directed towards the mission, objectives of the whole business (Drucker 2009: 63). He believed that "*objectives should lay out what performance each managerial person's own unit is supposed to produce*" (Drucker 2009: 67). For Drucker, there were five (5) main components in the performance management: *review organizational goals; set worker objectives; monitor progress; evaluation; and give rewards.*

Drucker believed that when objectives are clearly stated and distributed from top down, everyone within an organisation knows what it is expected and trusted to do to gain the shared mission and to perform. MBO provides clear guidelines on how to manage performance from good to better, but a successful process also includes tangible but also intangible objectives (Drucker 2009: 68). After Peter Ducker introduced the management by objectives in the 1950s, it did not take too many decades until the organisations realised that what they were measuring, was wrong. The reason is that they were focusing either on financial objectives or non-financial objectives, but not in both of them in a greater balance. This can be also why the balanced scorecard trend emerged, a technique where the financial and non-financial measurements, was introduced by Kaplan & Norton for the TSOs (Kaplan 2001).

Aboramadan (2018) argued that the transferability of management practices across the three sectors is supported by many scholars and therefore, should not be argued against. Furthermore, according to Onyx (2008), organisations which had similarities to corporate governance processes were more likely to occur as *high performing* thus have the likeability to receive significant international funding. Smaller organisations which have adopted a more political performance or shared communal accountability, could also be successful, however, only in certain achievements. These organisations are more likely to be left out from the economic performance hence maximised financial growth.

Implementing a PMS successfully is not an easy task for a private sector organisation, and it is not that for a TSO. TSOs are unique due to their challenges in measurement methods and objectives.

4.2 Measuring performance

It is not that TSOs are alone with the measurement issue, it is a challenge to any other organisation as well. However, many of the measurement objectives are intangible such as how do you measure impact in improving hunger. The nature of the measurement objectives is very vague for TSOs, and therefore, it makes measuring successes and failures a complex process to measure (Aboramadan 2018). Kaplan (2009 :3) suggested that *"if companies were to improve the management of their intangible assets, they had to integrate the measurement of intangible assets into their management systems."*

For TSO, a significant amount of the impact measurements is already in the hands of governments through by-products (Salamon & Sokolowski 2018: 13). Indeed, non-profit organisations often provide services that are not profitable and to citizens and clients who need special and often expensive assistance. Currently, the most commonly used measures which indicate the effectiveness of an organisation is: satisfaction of the beneficiaries; cash received from fundraising; cost of action; and overall efficiency. The reason why these are indeed the most common nominators for performance is that they are easily incorporated in smaller organisations as they need little or no governance.

Sawhill & Williamson (2001: 371) attempted to assess three (3) areas of performance which were *impact, activity, and capacity*. The theory is called *The Nature Conservancy* system and it is measuring mission impact rather than measuring the activity. Teelken (2008: 617) identified four (4) measurements *economy (looking back), efficiency (current organizational process), effectiveness (output in the short term, such as number of graduates) and efficacy (output in the long term, such as an educated or healthy population and society, also called outcome).*

When evaluating the management and measurement styles, it is clear that TSOs need to focus on several measurements simultaneously. Teelken (2008: 617) noted that a performance measurement system can be viewed as a *“warning, diagnosis and control system”* and not just data. To support Teelken’s point of view, Aboramadan (2018: 381) also argued other benefits as measurements *“can be materialized if NGOs set clear objectives, indicators, collect data and analyse them.”* Additionally, Sowa et al. (2004) argued that an effective performance measurement system can help NGOs managers make better decisions, improve performance and provide accountability. Therefore, the arguments speak for themselves and through trial and error of measuring in the sector, the states and organisation can find the most suitable measurements.

4.3 Benchmarking

Once the measurement topic has been tackled, there has to be a reason or a way to use the data, and one of it is to use the data for benchmarking in order to evaluate the health and progress of the organisation. Benchmarking to historical data is the most common way of using recorded data. Benchmarking and comparing financial results one-to-one sounds like an easy task but for TSOs it is not. Management must include financial and non-financial measures in order to make the performance management practice into a continuous process, and by including historical data, benchmarking to previous years is possible.

Benchmarking impact, profitability, value of volunteering, and social return on investment between other welfare states is healthy. However, benchmarking between the third sector, even between organisations is difficult and therefore comparison across countries is almost impossible (Salamon & Sokolowski 2018: 13). Good example is when comparing the value of volunteer work between countries. In Finland there is only one type of volunteering that is calculated in the studies. *Time-use surveys* have been measuring the volunteer work in Finland for over a decade now. The problem however is that it includes all types of volunteering activity, neighbour volunteering which could be helping a grandma next door in her daily-tasks or organisational volunteering by participating in fundraising activities of the local church.

Lastly, just like measuring practices vary, so does the possibilities of benchmarking. The sector is still seen as a non-competitive field and therefore, benchmarking to other organisations or private firms is neglected. However, in order to identify well performing organisations to one another, the TSOs should at least use a benchmarking method to data gathered by international institutions such as the United Nations or the European Union.

4.4 Workforce and rewarding

Traditionally, performance management is more about validating compensation design decisions and to initiate other human resource measures like promotion, demotion, and transfer (Bhattacharyya 2011). Rewarding is a traditional component of performance management where the person is receiving a reward based on their performance, for TSOs it is not quite simple. As stated, volunteers are participants of the organisation by free will, it means that there is no exchange of cash. Volunteers are not allowed to receive any monetary return and therefore, the factor of motivating and rewarding volunteers has to be something else (Berardi & Rea 2014). For TSO's the motivational background of the volunteers varies a lot. Although for many, participation or being present in action is enough for *self-fulfilment*. (Marjovuo 2009)

Another topic to managing performance is managing the workforce, who most if not all are volunteers. Many theorists argue that a successful PMS is a continuous process and not only managing a project X. However, due to the culture of TSOs, many are project based and the participants change constantly. Lipp (2009: ch 12) even argued that "*it does not make sense to provide a formal evaluation for a volunteer who only shows up once a month to help sort food donations"* and other theorists agree. Schleicher et al. (2018) argued that the main research foundation during the past decade was *transforming the performance appraisal, performance measurement from a cyclical event to a continuous process, performance management system*.

On top of new volunteer motivational engagement, a massive topic is the millennials, the new generation of the volunteer force. In a way, this new generation of volunteer force is environmentally and socially conscious, even more than the generation before, but they also are more eager to receive compensation from the work they do (Landrum 2017). Therefore, it could be argued that either the millennial volunteers want to see concrete results or done together with meaningful management. In order to fight against the many factors of motivation for reward, creating a common goal for a purpose and managing it accordingly is important. Having a clear mission of why the organisation exists and a clear vision of how to reach the goal will support managing the big group of participants, who either are regular joiners or participate erratically or for the first time.

5 Finnish Third Sector research

This section of the thesis has an emphasis on the research, it includes a closer evaluation of the Finnish Third Sector, its legal backbone, unique characteristics and its future challenges.

5.1 History and legislation

In the 1800s Finland, there was an order for social associations. At first, came the clubs which were predominantly sports and culture related associations. It was not long after, when the first faith-based organisations and charitable organisations began their work (Marjovuo 2009). During and after WW1 and WW2 the demand for third sector organisations grew tremendously in order to fill the gap between the governmental sector and the private sector. The ones who had time, resources, or will, participated with small acts such as neighbour volunteering or big acts through monetary donations. The conversation of the legal act’s behind these associations began in the early 1900s, however the Foundations Act (Finlex 487/2015) was created decades later in 1919s. Only during the 1930s, the Associations Act (Finlex 503/1989) was included in the Finnish law (EUROFI 2015: 6). Since then, both of the legislations have been revised and the current Associations act states in 1989. Although the act itself is unique, such as in any nation, it merely follows a global trend for a legal backbone of legalised and registered organisations.

In Finland, *rekisteröity yhdistys* (registered association) is the legal legislative structure of a social enterprise, institution, association or an organisation. The borderline characteristics of a registered association is that they shall not generate profit, they have to have a management board, and the cause of the organisation should not be discriminatory, hatred or violent to any other group or cause and its members should be joint through their own will (Finlex 26.5.1989/503).

Although an organisation does not have to be officially registered, it is beneficial. The biggest interest in registering a correct legal form for an association or an organisation is subject to monetary benefits. In Finland, an organisation does not automatically receive an exempt on income tax. An organisation has to prove that its purpose and intention is for the public interest. If an organisation fails to prove it, their income and funding is subject to 20% income tax. If an organisation does not register itself under the registered association act its members are subject to the income tax on all the funds received (Vero.fi 2020).

5.2 Comparison and previous researches

Just like comparing the third sector globally, even in the Nordic welfare countries we can see different trends. The reason why comparison between the Nordic countries is interesting is because of the endowed money and the willingness to volunteer, both of which are seen walking hand-in-hand with the religious upbringing of the countries. Nordic as a region is fairly protestant, but also atheist. It could be argued that the religious influence is not as remarkable, however, based on the Charities Aid Foundation research, some correlation between religion and endowing can be indicated. Myanmar which is rather small and pore country is one of the most charitable countries per habitant and indeed it is due to their main religion, which is Buddhism (Charities Aid Foundation 2019).

Different classifications do not stop from managing a comparison study against global organisations however, the measurement styles and objectives would need to be aligned as suggested by the United Nations.

> “There is no single overarching concept of the third sector in the Nordic countries. Instead, different historically evolved types of institutions are commonly identified—voluntary associations, ideal organisations, idea-based organisations, self-owning institutions, foundations, social enterprises, cooperatives, mutual insurance companies and banks and housing cooperatives. Some of these have a legal basis while others do not. -- The Nordic countries stand out, however, with respect to the emphasis they place on volunteer work in culture, sports and recreation” Salamon & Sokolowski (Enjoras 2018: 23).

Based on the research made by The Johns Hopkins Center for Civil Society studies (Salamon & Sokolowski 2001), the level of Finnish volunteering in 2001 was 5,52% from the economically active population. Finland had the lowest number within Nordics, Sweden engaging 7,10% of the population and Norway 7,20% of the population. When the number of volunteers was multiplied with the value of the work. The value of volunteer work in Finland was calculated by the 326,000 volunteers, 8% of the adult population. The value of the work was 2,657.5 million US dollars, remarkably lower than in Sweden 10,206.1 million and in Norway 4,255.8 million where the number of volunteers was 1,847,000 which means 52% of the adult population. In other words, in Norway every other adult generates in the civil society sector as a volunteer.

However, those individuals who indeed commit to volunteering, tend to spend more time in the action than the neighbouring countries. According to a study conducted by the Charities Aid Foundation World Giving Index, Finland was rated on the place 31 on the time spent whereas Denmark was on the place 50 and Sweden on the place 96 (Charities Aid Foundation 2019). Another significant comparison in the same study was the amount of cash funding, and in this case, Finland came last in the Nordic comparison. According to the Charities Aid Foundation World Giving Index, Finland was on the place 27 whereas Denmark on the place 12 and Sweden on the place 14. Based on this study, the Finnish people are more willing to offer their time than open their wallets.

However, there is little to almost no corresponding data made in Finland that could directly be compared against Nordic research and not to mention global research. When calculating the results made by Finnish research centres such as Statistics Finland (2011), Kansalaisareena ry (2018) or other independent institutes, the amount of volunteer work differs to the statistical data collected by The Johns Hopkins Center (Salamon & Sokolowski 2001), the European Union, or Charities' Aid Foundation’s World

Giving Index (2019). Main reason for this is that in the Finnish research, formal but also informal volunteering activity was calculated in the results, whereas in global research it is often not and when it is, it can be differentiated from the research outcomes.

The Finnish Innovation Fund SITRA (Helikoski et al. 2018) executed an impact investing study between 2014 and 2016 where it studied the social impact measurement activities of Finland. The outcomes of the study where; measuring impact is more exceptional than rule, a lot of data, but the regulation is problematic, know-how exists but demand and supply mismatch (Helikoski et al. 2018). Again, impact and therefore the outcomes was measured but not how the institutions managed towards making an impact.

In autumn 2019, Osana Oy (Toikkanen 2019) executed a study of *How the organization's operating environment and activities will change over the next five years?* This study is so far the most comprehensive study measuring the state of PMS' in TSOs, although it did not only study it. In the study, the emphasis of the questions was in funding, digitalization, membership and number of members, volunteering and active participation, and response to change.

5.3 The research

The respondents of the survey are 5 non-governmental organisations (NGO). The research questionnaire was sent to 50 biggest non-governmental organisations registered under the Finnish Associations Act. The questionnaire was sent via direct email. As only 5 out of 50 NGOs responded to the questionnaire, the response rate is 10%.

5.3.1 Preliminary questions

The questionnaire started with a set of preliminary questions. As stated in Figure 3, three of the organisations are operating in the social and health segment, and the other two are working in the environmental segment, and in the friendship association, ethnic organisation and development organisation segment. As the NGOs wish to stay anonymous, organisations are clustered to anonymous organisations. However, these organisations are further clustered into three groups. The social and health organisations; Organisation A, Organisation B, and Organisation C. Friendship association; Organisation D and environmental association; Organisation E.

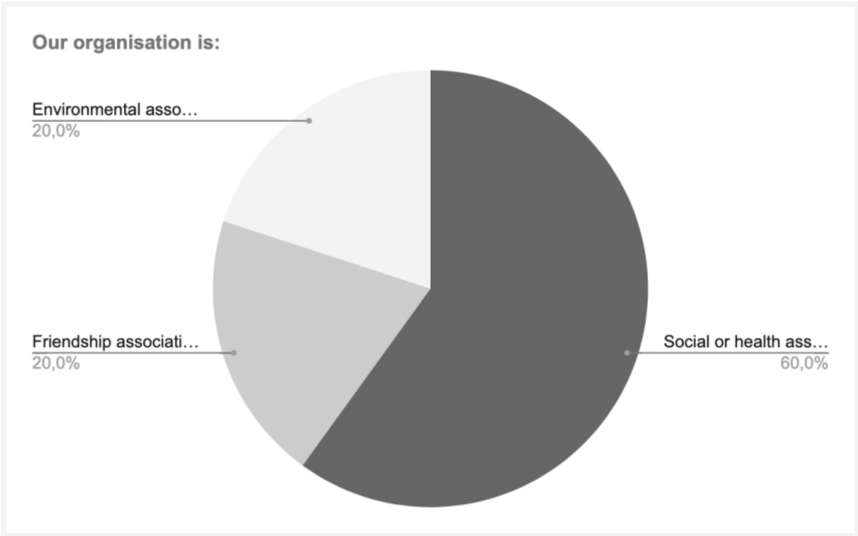

Figure 3. Organisation segment

Two third of the social and health NGOs were founded during the last decade. The oldest organisation, which was founded before the year 1950, is the NGO operating in the environmental segment, Organisation E.

When evaluating the size of the organisations, four out of the fine lists the amount of paid full-time employees exceeding 20 whereas Organisation C has less than 10 paid full-time employees as shown in Figure 4. According to Kansalaisareena (Hirvonen & Puolitaival 2014), an organisation that has more than 20 paid full-time employees is a big organisation whereas an organisation that has less than 10, is seen as a small or medium size organisation. Therefore, four out of the fifth organisations can be evaluated as big NGOs. Additionally, the number of active volunteers shown in Figure 5, indicates that each organisation had more than 100 active volunteers.

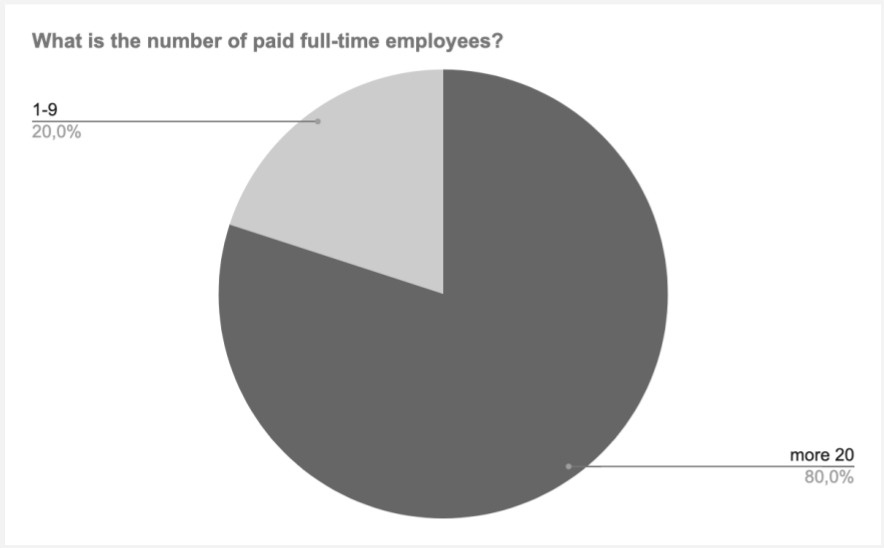

Figure 4. Paid full-time employees

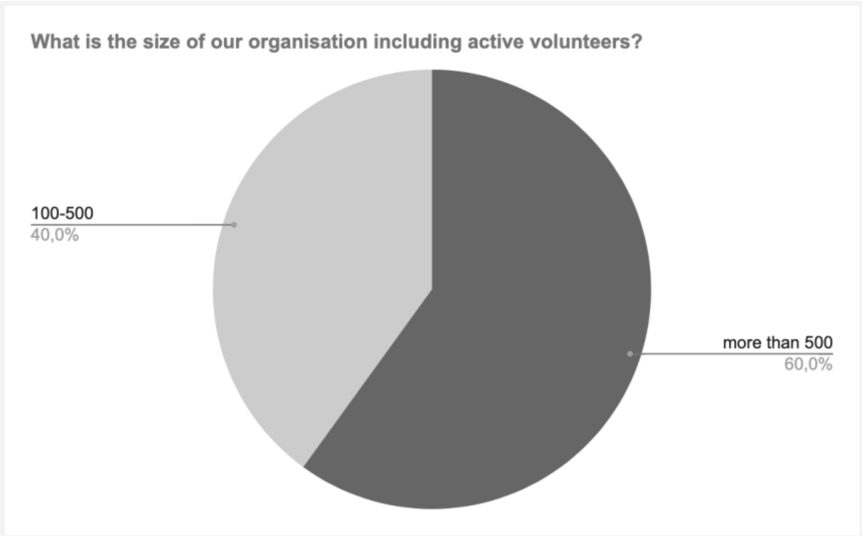

Figure 5. Size of the organisation

The area of operation varies between each organisation as shown in Table 1. Organisation A listed its areas of operation as Finland, Europe and outside of Europe. Organisation B and C are operating only in Finland, and Organisation D is operating in Finland and in Europe. Organisation E is the only one that does not operate in Finland whereas the other organisations do.

Operation area	Organisation A	Organisation B	Organisation C	Organisation D	Organisation E
Finland	YES	YES	YES	YES	-
Nordics	-	-	-	-	-
Europe	YES	-	-	YES	-
Outside of Europe	YES	-	-	-	YES

Table 1. Operation area

As based on the preliminary questions, each organisation is unique based on the number of paid employees, size of organisation, and the areas of operation. However, they all are significant with their size when operating in a relatively small welfare state, Finland.

5.3.2 Performance management questions

After gathering the preliminary information of the respondents, the survey continued with thirteen (13) deep dive questions evaluating the preparedness, processes and assumptions toward performance management processes.

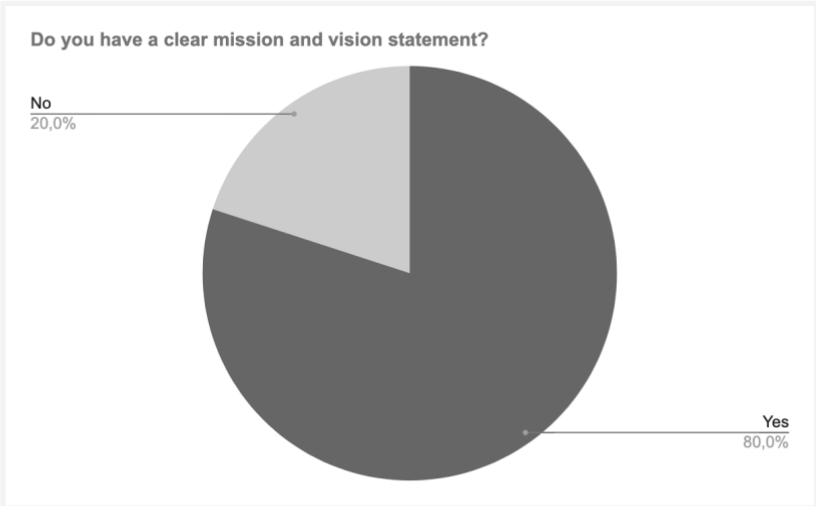

Figure 6. Mission and Vision statement

When evaluating the existence of a clear mission and vision statement, 80% of the organisations answered positively as per Figure 6. Organisation B does not have a mission or vision statement. Additionally, it acknowledged this by responding negatively to the question whether it had a clear process to manage performance as per Figure 7.

Additionally, Organisation E had informed that they do not use a clear process to manage performance, although the organisation confirmed that they do have a clear mission and vision statements as per Figure 6. Additionally, the Organisation E is also the only one that does not have a process for managing performance and is operating outside of Finland. Therefore, it could be assumed that the funding of the organisation is secured by an umbrella organisation, as the organisation is acting as part of one.

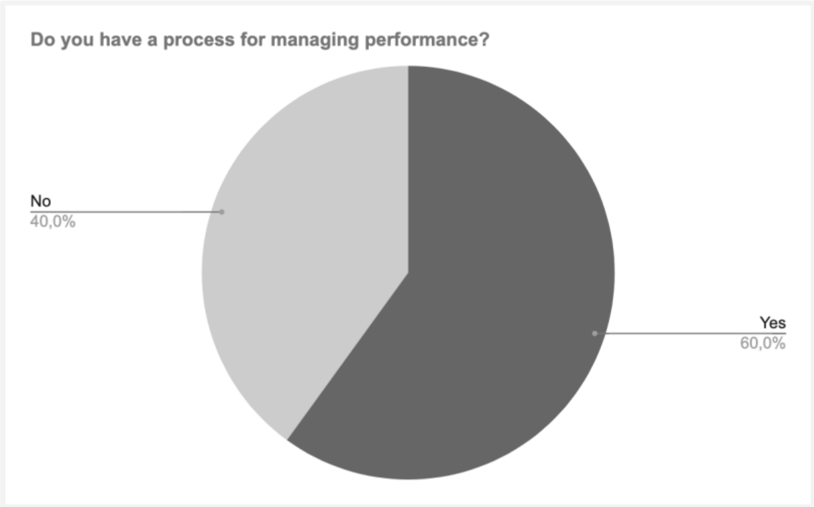

Figure 7. Process for managing performance

Each organisation that evaluates the performances of workforce and volunteers, includes paid full-time employees in their evaluation process as shown in Figure 8. Organisation B and C are forerunners as they also include volunteers in their evaluations. As stated in the first chapter, managing volunteers is important and far too many organisations neglect it just like 75% of the scope of organisations. Additionally, when only part of the members of the organisation members are being evaluated, it can create an environment of inequality. This also supports Salamon's (2018) statement on vulnerabilities in excessive amounts of amateurism on the side of volunteers and professionalism on the side of the paid and project employees.

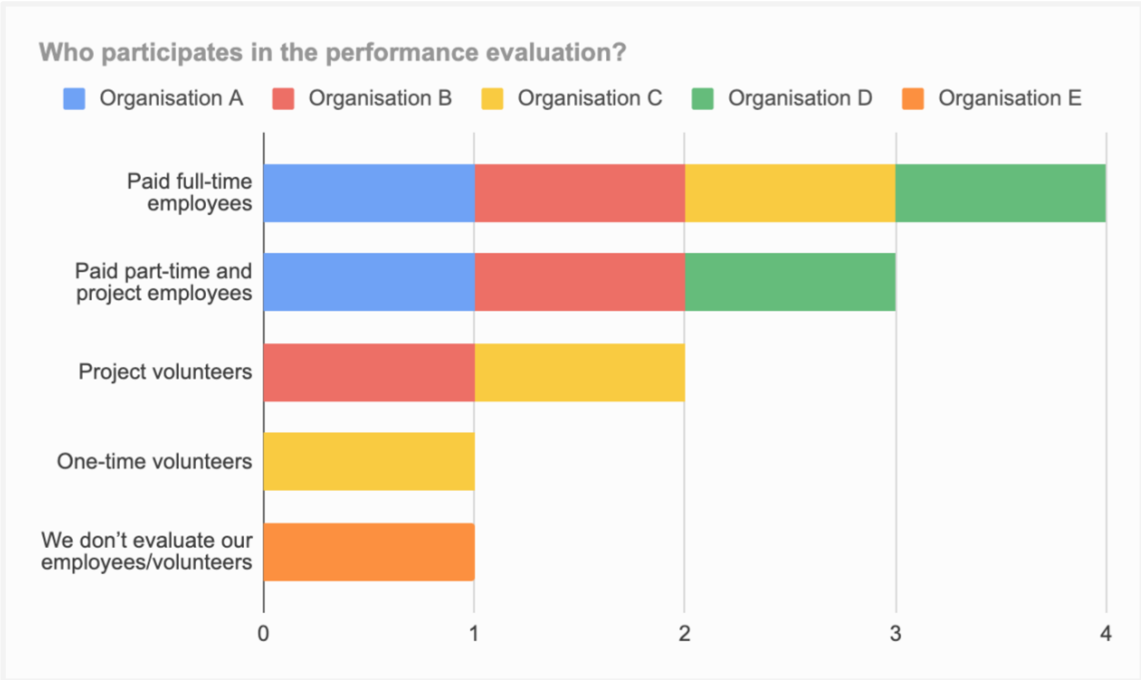

Figure 8. Performance evaluation participants

When diving deep into the responses, each organisation uses funding as a metric as shown in the Figure 9. This corresponds to the global and national researches as funding is seen as one of the most common performance measurements with links to success. As mentioned in the first chapter, funding secures the continuity of the organisation and therefore, more funding translates to more months of action. However, another important fuel for the engines of NGOs is human capital, the number of volunteers. This also corresponds to the previous findings of measurement trends. However, the number of volunteers does not always correspond to efficiency as seen in the comparison study of Nordic countries. The number of volunteers is not necessarily a good metric as the participants tend to volunteer for longer periods in Finland compared to other nations. Additionally, globally used volunteer FTE is not commonly used in Finland thus only two (2) of the organisations answered that they measure the work done. Therefore, there is a possibility for quantity versus quality issues in volunteer work.

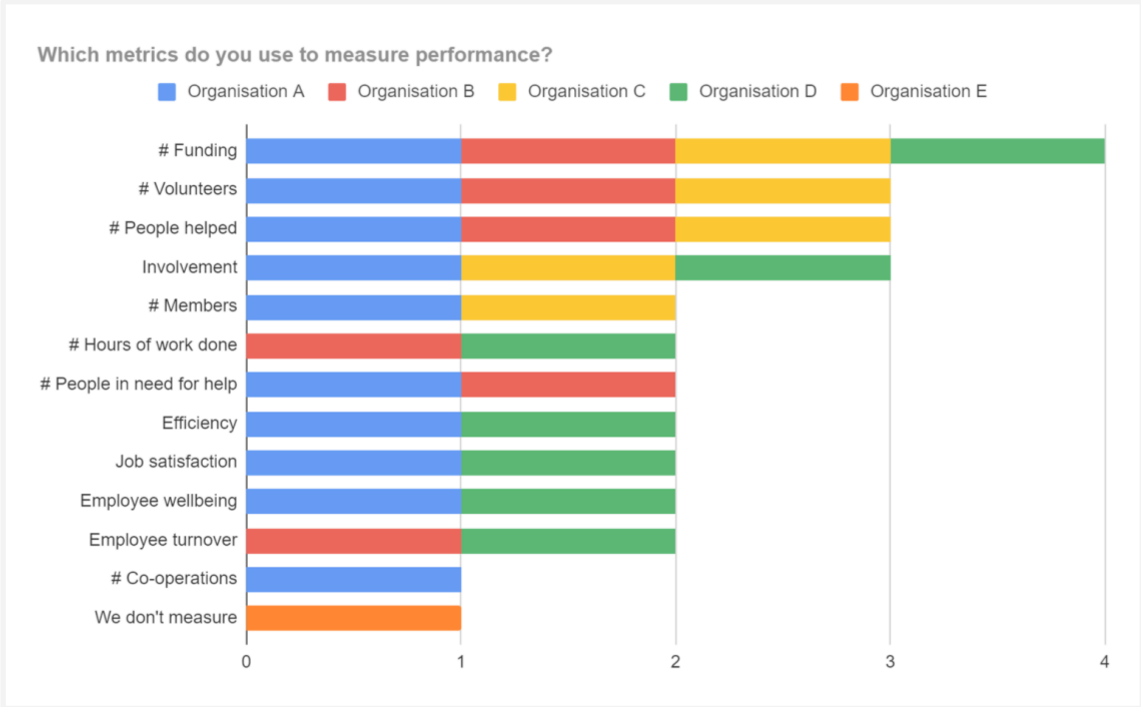

Figure 9. Performance metrics

Sharing is an indication of transparency. The most popular ways of sharing performance measures are listed in Figure 10. The most used channels for sharing are activity and annual reports, and specific reporting required by the financier. Organisation A and Organisation D are the most transparent with their sharing practices as the information is made available for internal but also external stakeholders. This would be the most ideal case as information is accessible for internal members but also for new members of the organisations. As a comparison, Organisation C shares its measures only via annual reporting or financiers.

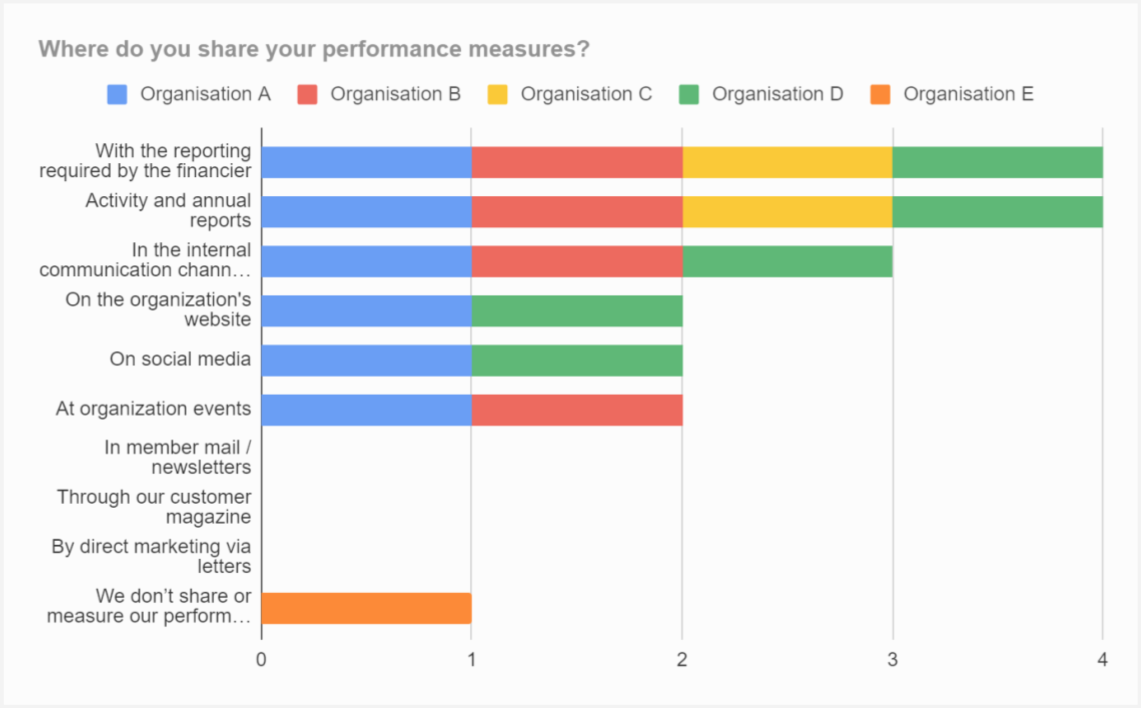

Figure 10. Channels used for sharing metrics

As seen in Figure 11, all of the organisations praise that awareness and funding motivates them to share their measurements, although they do not do it efficiently enough as seen in Figure 10. For acquiring new members, the usage of a homepage or social media could increase the reachability a lot more and only 40% of the organisations acknowledge this. The organisation website and social media are tools that can reach hundreds of individuals daily. When information is hidden in lengthy reports, the information does not necessarily end up reaching *John Doe*. Another possibility for not sharing the data in more reader friendly platforms is due to the performance measurements. However, what is positive to see is that all of the organisations have reduced use of paper in their communication methods by not sending member mail or giving out paper flyers.

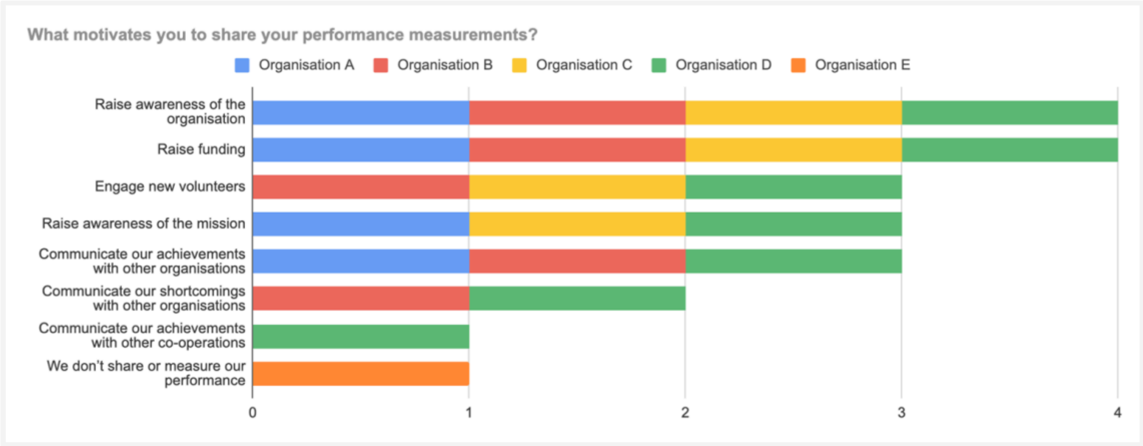

Figure 11. Motivation behind sharing

Based on the answers in Figure 11, the motivation factors for sharing measurements or the channels used to share information, the result of benchmarking does not surprise. The methods to measure vary greatly as all the organisations measure somewhat different aspects.

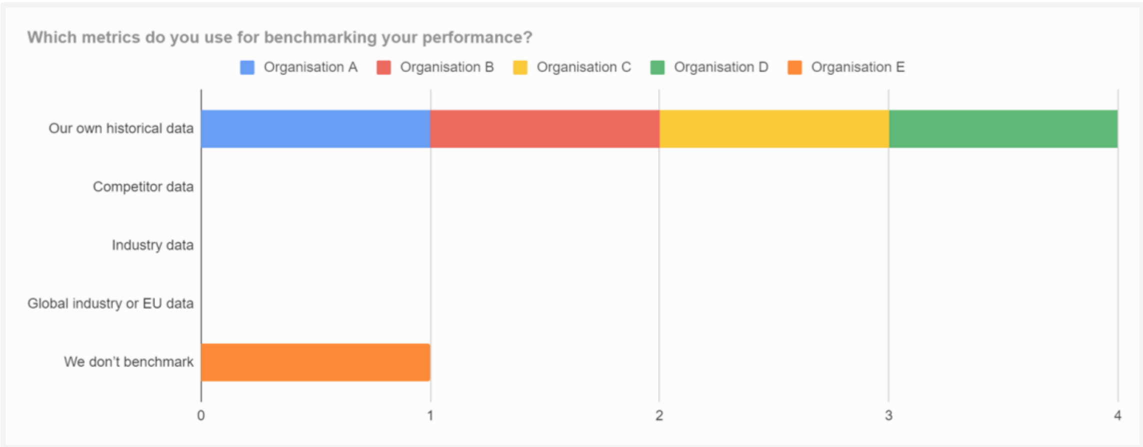

Figure 12. Benchmarking

Figure 12 presents the benchmarking practices of the organisations and it clearly indicates that all data measured, is used to benchmark own progress. This is good, however, in order to become more effective, the organisations should take advantage of other possibilities to benchmark.

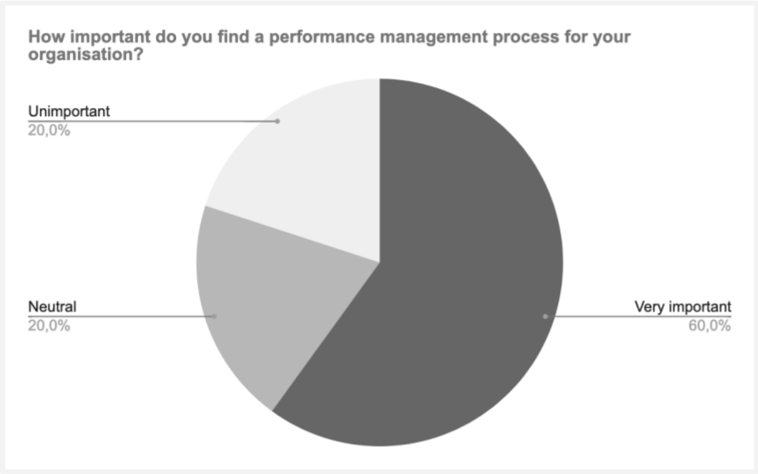

Figure 13. Importance of performance management

As one of the second final questions, the organisations evaluated the importance of performance management processes. Organisation E, who does not use a performance management process does not see it as a priority. On the other hand, the organisations, A and C who do have a good level of managing performance do also value it. Organisation B evaluates the importance as neutral.

Figure 14. Future challenges

In the last part of the questionnaire, the organisations evaluated the future challenges, as shown in Figure 14. Volunteer engagement was indicated by 3 of the organisations. The other challenges were the amount of grants and coping of the participants. Interestingly, the organisation A and B who both indicate the advanced performance management processes, list reporting and measuring as one of the future challenges. Yet, neither of the organisations look across the sea for other organisations in a case of benchmarking.

Overall, when evaluating the study, an effective performance management could support the future challenges thus motivation and sharing information with different stakeholders. The current status of the five organisations does not surprise as this is what was expected. None of the organisations has it ten-out-of-ten however, two of the organisations are well on their way to success.

5.3.3 Limitations

Limitation for the research is the wide scope of the research organisations together with limited literature. Most of the studies focus on volunteer management or towards organisation structures which do not belong to the trend of Finnish TSOs. The trend to combine third sector and performance management is only a few decades old but not like the private sector or public sector, there is no one funding these studies unless it is a global institution such as the UN or a research centre such as University.

In order to have more accurate data, the interviewed organisations could have been selected better. By better, the data indicates that they would have been from the same segment instead of selecting them by organisational size. The small number of organisations can be argued to be due to the lack of interest and limited time straights of the organisations. Hence, the topic of performance in TSOs is seen as controversial based on the responses of a few of the organisations stating, "*we wish not to create an atmosphere of competition.*" Few of the respondents in the questionnaire did not want to bring competitiveness into the sector. Similar feedback was provided by organisations who declined their participation in the survey.

Additionally, in order to have more explanatory responses, the questionnaire could have been qualitative rather than quantitative. The answers provided by the organisations would have been more meaningful without multiple choice options which limits the true answers of the status quo. Hence, the questions could have been made more personal and done via phone or a face-to-face interview.

6 Conclusion

The Third Sector is an interesting, but difficult sector to study. The amount of changing variables from terminology to regulations, from different structures to missions and this all makes the sector hard to define. Change of governing the organisations similarly to the private sector organisations is a trend which is evolving globally. Few theorists have studied best practices, yet there is no one size fits all method. That is also why, a lot of the literature focuses on clustering the unique characteristics and vulnerabilities in the sector. With help of this information, some organisations have been able to implement performance management systems just like one of the organisations in the chapter 3 research.

In Finland, the sector should be seen as a powerhouse and the organisation should work towards changing the perceptions of everyone, those even remotely related to volunteering or social causes. However, in a scheme of “volunteering is a hobby” changing perceptions is hard as there are a limited number of individuals supporting the change. In order to influence the perceptions of the masses, the change has to be initiated from the top to bottom, and therefore by the governance of the organisations. Only this way, it can further down translate to the rest of the stakeholders, internal and external. Most of the organisations identify volunteer engagement, grants and coping of participants as future challenges, yet they do not see or necessarily have the professionalism to critically value the importance of a clear performance process in their organisation’s actions. The sector might not need a performance management process urgently, right now it is something “nice to have”. However, it is a matter of time when the public will demand transparency and accountability in the actions made in the past. Then data and clear processes of managing it becomes golden.

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Appendix 1. Survey Questions

Prerequisite information		
1	Our organisation is:	Sports association Cultural association Leisure or hobby association Social or health association Youth association or student organization Political association Trade union Economic or business association Advisory body Religious or worldview association educational Scientific or study association Environmental association Pensioners or veterans organization Village, hometown or district association National defence or peace organization Friendship association, ethnic organization or development organization Service organization Something else:
2	When was the organisation founded?	Before 1950 1951-1990 1991-2010 After 2010
3	What is the size of our organisation including active volunteers?	1-49 50-99 100-500 more than 500
4	What is the number of paid full-time employees?	1-9 10-20 more than 20 Only volunteers
5	Where do you operate?	Finland Nordics Europe Outside of Europe
6	Are you a part of an	Yes

	international umbrella organization?	No
	Performance management	
7	Do you have a clear mission statement?	Yes No
8	Do you have a clear vision statement?	Yes No
9	Do you have a process for managing performance?	Yes No
10	Who participates in the performance evaluation?	Paid full-time employees Paid part-time and project employees Project volunteers One- time volunteers Something else We do not evaluate our employees/volunteers
11	How often do you evaluate?	Yes - cyclically Yes - annually Yes - per project Yes - when needed Something else: We do not have a clear evaluation process
12	Which metrics do you use to measure performance? (select applicable)	# Funding # Members # Volunteers # Hours of work done # Co-operations # People in need for help # People helped Efficiency Job satisfaction Employee wellbeing Employee turnover Involvement Something else : We do not use measurements
13	Where do you share your performance measures?	In the internal communication channels of the organization Activity and annual reports On the organization's website On social media With the reporting required by the financier

		In member mail / newsletters At organization events Through our customer magazine By direct marketing via letters Something else: We do not share or measure our performance
14	What motivates you to share your performance measurements?	Raise awareness of the organisation Raise awareness of the mission Raise funding Engage new members Engage new volunteers Communicate our achievements Communicate our shortcomings Something else: We do not share or measure our performance
15	Which metrics do you use for benchmarking your performance?	Our own historical data Competitor data Industry data Global industry or EU data Something else: We do not benchmark
16	Do you reward out?	Yes, provide an example how: No, provide an example why:
17	As an organisation, are you satisfied with your performance management process?	Yes Yes partially Neutral Not really We do not use a PM process
18	How important do you find a performance management process for your organisation?	1 not important - 5 very important
19	What are three (3) biggest challenges for your organisation in the future?	Human resources Financial resources Amount of grants Publicity / awareness / Visibility of the organization Recruitment of staff / Volunteers Coping of participants Skill development Volunteer skills Volunteer engagement Aging of the membership Commitment of board and management Commitment of the organization

		Social media utilization Utilization of marketing Measuring the results of activities Reporting the results of activities Bureaucracy Something else, what: