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Public, For-Profit, and Nonprofit Welfare Institutions in Norway: Distinctive Goals and Steering Mechanisms or Hybridity in a Dominant State / Håkon Dalby Trætteberg

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Abstract

Nonprofit, public, and for-profit welfare institutions have different operational logics. The distinctiveness of a nonprofit institution is more prominent in some circumstances than in others. This paper is based on case studies conducted in Norwegian municipalities to understand when and why nonprofits operate with distinctive steering mechanisms. Based on the framework of hybrid organizations, I analyze the interaction among institutions in the public sector that have democratic legitimacy through a hierarchical organization, the for-profit sector that seeks efficiency to compete in the market, and the nonprofit sector that has civil society logic. The study revealed how more detached demand-driven oversight of nonprofit schools gives them more room to pursue goals different from those of the public sector institutions, which can be contrasted with the supply-driven oversight of nursing homes that have far less room for steering independent of the municipalities. Surprisingly, the results also suggested that small close-knit communities influence institutions in ways that diverge from the hierarchical steering, and that this happens across the sector split. Moreover, oversight and alternative sources of income contribute to making the organization more hybrid, in the sense that the hierarchical steering is challenged.

Key words: Hybrid organizations, nonprofit welfare, nonprofit distinctiveness, Norway, schools, nursing homes.

Introduction

Nonprofit theories do not provide a clear understanding of the boundaries of the nonprofit sector (Knutsen, 2013, p. 55; Powell & Steinberg, 2006). Classics in the nonprofit literature aimed at establishing this sector as a separate sector, and not just all the things that
the public and for-profit sectors (Lohmann, 1989; Salamon, 1987). More recently, the term hybrid organizations has been used to describe complex organizational forms that arise when nonprofits operate in an environment with separate sources of resources, legitimacy, and tasks (Skelcher & Smith, 2014). Some scholars have concluded that all organizations to some extent are hybrids (Brandsen et al., 2005, p. 758). These approaches share the fundamental view that certain characteristics are particular to different sectors. In this article, I examine whether these attributes survive when nonprofits face an environment where a dominant state has broad responsibility for the services, and I explore in what circumstances nonprofits operate with distinctive goals and steering mechanisms.

In the last 10 years, promising theories about hybrids have been developed (Billis, 2010b; Brandsen et al., 2005; Christensen & Lægreid, 2011; Skelcher & Smith, 2014), but the literature on hybrids is still generally under-theorized, especially nonprofit theory and hybrids (Smith, 2014, p. 1500). Hybridity and distinctiveness are two opposite concepts. To understand why and when organizations are hybrids, one must also understand when distinctiveness can replace hybridity as the organization’s central tenet. By using insights from the institutional logics literature (Thornton et al., 2012), I contribute to the literature by exploring in which circumstances nonprofits operate with distinctive steering mechanisms. The theoretical foundation is that the actions of individuals are enabled and constrained by the institutional logic in which they operate, and that these actors try to adapt the organizational form “in order to better fit a complex institutional environment” (Skelcher & Smith, 2014, pp. 5–7). At the same time, this analytic approach clarifies how the boundaries between different sectors can be blurred at the same time inherent differences are recognized. The hybrid organization approach casts light on the debate between different sector rationales and different logics (Smith, 2014, p. 1497).
The empirical context of the study is the growing complexity of policy issues and the heterogeneity of the population in the form of increased religious and ethnic diversity. This complexity has provoked reforms where governments engage private service providers since the governments unable to meet the new challenges (Phillips & Smith, 2011; Weisbrod, 1977). The central rationale is to reap the benefits of different types of providers. Understanding the contexts that help develop distinctive providers is useful. How nonprofits are steered differently from other providers is an important part.

The empirical focus of this study is Norwegian schools and nursing homes. As one of the Scandinavian countries, Norway follows a welfare model in which public financing, oversight of welfare services, and high and equal service quality standards are pivotal (Fritzell et al., 2005). Of the three Scandinavian countries, Norway stands out with a dominant public sector while Denmark has a history of an important nonprofit sector and in Sweden the share of for-profits is growing fast (Sivesind, 2013). Today, only 6% of Norwegian elementary school students attend non-public schools (Utdanningsdirektoratet, 2013), and there are about 70 nonprofit, 20 for-profit, and 1,000 public nursing homes (NHO Service, 2013; Vabø et al., 2013). Norway thus is a country with a very dominant public sector. The dominance of the public sector is likely to decrease the freedom of publicly funded non-public alternatives to be different. Norway thus represents a crucial case (Gerring, 2007, p. 121) for understanding circumstances that enable nonprofits to operate differently and pursue goals different from those of public service providers. Mechanisms that can challenge the political and hierarchical steering in Norway must be important to have an impact, which implies that they probably play a role in other contexts.

In the following, I present the analytical approach. Then I explain the Norwegian empirical context before I discuss the methodological design and empirical material, and then analyze the findings.
Analytic Approach

A fundamental feature of the institutional logic approach is that the “identities, values, and assumptions of individuals and organizations are embedded within prevailing institutional logics” (Thornton et al., 2012, p. 6), and that there is a certain consistent logic within each public, nonprofit, and for-profit sector. The task in this section is therefore to identify indicators from each ideal type sector that can then help analyze the differences between the steering mechanisms. I discuss civil society logic connected to nonprofits the most, since this steering rationale is more blurred than that for public and for-profit sectors.

Hierarchical political logic is characteristically implemented by politically elected and accountable decision-makers in national parliaments or local councils. Ideally, they are focused on the best interest of the community as a whole and the whole specter of citizens (Wollmann, 2014). The identities and values in these organizations are thus embedded in the execution of democratic decisions, and the steering mechanisms are set up in a “weberian” way to accommodate the carrying out of the decisions. This is the presentation of an ideal type, but studies have shown that “weberian” steering is remarkably persistent in local government (Hill & Lynn, 2005; Kuhlmann et al., 2008). In practical terms, this type of steering can take the form of written plans adopted at the municipal level and through formal or informal contact between the leader of the institution and the representatives of the administration or political leadership in the municipality. Consequently, this steering takes place top-down, when institutions receive steering signals from the municipal level, and the key question is which decisions are made at the municipal level and which at the local level.

This hierarchical steering of public institutions is challenged and supplemented by the market mechanisms action when the welfare field is opened up to multiple providers. Market logic is characterized by the search for economic efficiency in terms of maximizing economic benefits, something that entails economic logic in which the actors’ rationale is seeking
profits and safeguarding privacy (Wollmann, 2014). Identities and values make market forces and individual choice an operational priority (Billis, 2010a, p. 55). The market mechanisms is observed when providers adapt the content of their service to gain market share. This can be the case when supply-driven privatization occurs where user choice exists and institutions try to attract users in a competitive market. Alternatively, supply-driven privatization can occur when institutions act to obtain or retain a contract in a system based on contracts with the municipality, for example, a public tender system (Ascoli & Ranci, 2002, pp. 6–9). In all cases, market logic entails that steering signals are sent bottom-up since citizens (as consumers in the market) affect the providers and the relationships the providers have with the municipalities.

The third type of logic is local civil society. This approach is also bottom-up since citizens and users can use their direct relationship with the provider to steer institutions. The operational priority is the commitment to the distinctive mission (Billis, 2010a, p. 55), which is also the basis for the organization’s values and identity. This commitment also normally is to service minority interests, while the government covers the needs of the majority (Knutsen, 2012, p. 988; Young, 2001). Typically, providers from the public and for-profit sectors design their services to serve the median voter or the biggest market in a “catch-all” fashion. This leaves room for nonprofits to cater to specific niches that are unable to draw attention from public or for-profit actors and thus cover more of the variation in the population’s needs (James, 1990; Smith & Grønbjerg, 2006, p. 224; Weisbrod, 1977).

Popular member- or user-based steering can affect an organization externally as when supportive associations of the institutions or sports teams help create the service content while engaging with the institution (Mullins, 2006, p. 16). The impact can also be internal as when users interact with the institution’s staff and leadership. Through this engagement, the user’s voice sends signals that help steer developments at the institution (Hirschman, 1970).
For all institutions in this study, similar to almost all welfare institutions in Scandinavia, the public budget is the main resource (Anheimer & Salamon, 2006 p. 98). This gives the public governance some influence over the providers (Binder, 2007). Alternative sources of income can thus insulate non-public institutions from this influence, and open up the space for participatory civil society steering logic. Studies in the United Kingdom (UK) have shown that diverse sources of income are the most efficient strategy for nonprofits to hold firm to their values (Nevile, 2010). This means that organizations and institutions that add input from sources other than the public sector will be in a better position to adhere to their goals and values (Enjolras, 2009).

Following Evers (2005, p. 742), alternative resources for nonprofits can take the traditional form of donations or volunteer work, but various types of partnerships, cooperation with external organizations, extra effort by employees, etc., also occur. Although empirical findings are scarce, some scholars (Chaves, 1998; Rose-Ackerman, 1996) have suggested that nonprofits can access resources that are unavailable to other providers. When Kendall et al. (2006, p. 423) explained the development of nonprofit social care, one factor they emphasized is that a specific ideology or philosophy can mobilize volunteers based on progressive values and beliefs. Billis (2010a, pp. 59–62) labeled nonprofits that depend on paid labor entrenched hybrids, as this behavior makes the nonprofit’s operation more in line with that of a private firm or a public bureau. However, Billis differentiated between “ordinary” paid staff and staff who, because of their dedication to the nonprofit’s cause and their willingness to make extra contributions, demonstrate their true commitment to the organization by doing more than can be expected without being compensated with more pay. In the latter case, the employees are considered active members of the nonprofit in addition to their role as employees.

A feature of the steering of the institutions is contested between the different logics, namely, arrangements that are set up by legislation to give voice to the users. State legislation
and municipal policies sometimes impose mechanisms for user involvement. This can be in the form of user surveys and other forms of collecting individual voices or through user boards where certain users are (s)elected to represent the users at the institutions. Since these measures are imposed by the hierarchical structure or even by law, they are part of the hierarchical steering. At the same time, when they function as arenas for user participation, they are also channels for participatory civil society steering.

In summary, three steering mechanism logics can influence welfare institutions. The strong presence of hierarchical steering can make all providers more similar, while market steering and steering through civil society can provide autonomy from the public sector. Table 1 presents the steering logics and their mechanisms.

**Table 1** The steering logics and their mechanisms

<table>
<thead>
<tr>
<th>Steering logic</th>
<th>Mechanism</th>
</tr>
</thead>
</table>
| Market         | Income generation - Institutions compete for market share:  
|                | o Receive public funding based on user choice, public tender, or other form of contract allocation  
|                | Market differentiation:  
|                | o Public sector caters to the median voter and for-profits to large market segments  
|                | o Nonprofits cater to smaller niches not served by public services  
| Hierarchy      | Autonomy and flexibility of non-public institutions.  
|                | Owner influence in the day-to-day running of welfare institutions  
|                | Additional input through:  
|                | o External participation through engagement with organizations that are not part of the institution  
| Civil society  | o Ability to mobilize volunteer efforts, extra effort from staff, and other alternative resources to public funding  
|                | Contested: |
Internal participation through the role of user boards, user surveys, and other arenas set up within the hierarchical structure

Within the cross-pressure of these three steering mechanisms, the institutions operate. The hybridity of the institutions is manifested by the presence of more than one logic. The nature of the hybridity is defined by the relationship between the mechanisms. The strong presence of one steering mechanism and the near absence of the others indicates little hybridity and affinity with the ideal type of hierarchical steering, while the strong presence of more than one steering mechanism indicates strong hybridity.

The Norwegian Case—Schools and Nursing Homes

Norway is characterized by public funding, public oversight, and the dominance of public providers. Within this framework, schools and nursing homes were the two sectors chosen for this study because of their blend of commonalities and particularities. Smith (2014, p. 1504) demonstrated how comparisons between policy fields are lacking in research on hybrid organizations. Schools and nursing homes are interesting cases since these sectors are the responsibility of the municipalities and are core activities of the welfare state. However, there are interesting contrasts in terms of the welfare mix and public responsibility. Brennan et al. (2012, p. 388) found that in care for the elderly cost containment is used as an argument for marketization and for seeking changes in the welfare mix. Christensen (2012) pointed out how growth of non-public welfare is used to roll back public responsibility in care for the elderly. In education, the developments are in the opposite direction, at least rhetorically, as there is Europe-wide acceptance of education as part of national investment strategies and thus increasingly a public responsibility (Jenson, 2013; Van Lancker, 2013).
In the Norwegian context, the blend of for-profit, nonprofit, and public nursing homes is the municipality’s decision entirely. For schools, the national directorate for education has the authority to grant a license for a school to open, and the municipality is only consulted. In addition, the two sectors have interesting built-in tensions that make the sectors suitable for comparison: (1) Nonprofit alternatives to public schools can open only if the nonprofit schools present an approach that differs from that of public schools, typically in terms of religion or educational orientation. Nursing homes need no such underpinning value. (2) For nursing homes, the user’s pay is the same without regard for the type of provider. Public schools are free, while nonprofit schools are expected to charge parents 15% (but not more) of the costs, since the public funds only 85% of the expenses per student. (3) The companies that run nursing homes can make a profit, while the law forbids this for schools. Accordingly, all schools are nonprofits. (4) Nonprofit schools must admit all students who apply without discretionary admission practices. The municipality can choose the criteria for admittance to public schools. Normally, geographic conditions are used. (5) The municipality may choose the admittance criteria for private and public nursing homes. Thus, this study has two comparative dimensions: one based on the type of provider (public, for-profit, or nonprofit) and the other on the policy field (schools or nursing homes).

Hybrid organizations and differences in goals and steering mechanisms is a field lacking theoretical sophistication (Knutsen, 2013; Pache & Santos, 2012; Skelcher & Smith, 2014; Smith, 2014), and a case-oriented approach is fruitful to gain further knowledge (Ragin, 2004 p. 43). In order to make inferences regarding variation between type of provider and policy fields, I selected clusters of institutions that varied as little as possible in location, size, and users’ socio-economic background. Since elementary schools and nursing homes are the responsibility of the municipality, it makes a natural frame for selecting institutions. Thus, I chose pairs of schools and pairs of nursing homes located within the same municipality and
resembled the frame conditions as much as possible but with a variation in type of provider: one public and one non-public.

The design is best described as a most similar system design (Seawright & Gerring, 2008, p. 304) within each municipality. Although Norway has a relatively small population (5 million), the municipalities are diverse. To differentiate better between context-specific aspects within a municipality, I conducted the same investigation in three municipalities, making it a comparative case study, which is suitable for exploring the relevant diversity (Ragin, 1994 p. 51). In one municipality, I studied only the school sector. In total, I studied six schools and four nursing homes. All schools were nonprofit, since all primary education is required to be by law in Norway, while one nursing home was nonprofit and the other was for-profit. In this comparative case study (Gerring, 2007, p. 28), cross-case and within-case analyses were combined.

The municipalities were chosen based on what Gerring (2008, p. 651) described as diverse case selection, where the selection of cases is supposed to capture the full range of the relevant dimensions. Asker is a wealthy, large municipality by Norwegian standards, located in the metropolitan area around the capital of Oslo. Steinkjer is a medium-sized municipality with below-average economic resources, located in the middle of the country with no urban center nearby. Løten is a small rural municipality with below-average economic resources. The municipalities also almost represent the full range of political parties, with a conservative majority in Asker, a center-left coalition in Steinkjer, and a labor majority in Løten. The profiles of the three municipalities show the diversity of the contextual factors. Table 2 sums up the key features of each municipality.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Inhabitants</th>
<th>State of</th>
<th>Political</th>
<th>Number of</th>
<th>Number of</th>
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Table 2 Key facts about the selected municipalities
In Asker, a Waldorf school and a for-profit nursing home were studied; in Steinkjer, a Montessori school and a Christian nonprofit nursing home were analyzed; and in Løten, a Christian school was selected. By matching each non-public institution with a corresponding public institution in the same municipality, I kept the municipal variable as stable as possible to provide room for analyzing the variation between fields (schools and nursing homes) and providers (nonprofit, for-profit, and public). Table 3 gives an overview of the case institutions.

Table 3 The case municipalities and institutions

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Institution</th>
<th>School</th>
<th>Nursing home</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asker</td>
<td>Nonprofit—Waldorf</td>
<td>For-profit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Public</td>
<td>Public</td>
<td></td>
</tr>
<tr>
<td>Steinkjer</td>
<td>Nonprofit—Montessori</td>
<td>Nonprofit—Christian</td>
<td>Public</td>
</tr>
<tr>
<td>Løten</td>
<td>Nonprofit—Christian</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

The comparative analysis was based on three data sources. First, I obtained relevant documents, such as municipality and institution strategic plans, city council decisions, local
political parties’ programs, and contracts between municipalities and non-public providers. Second, I gained access to the results for local user surveys in Asker and Steinkjer. These are conducted yearly in Asker and every other year in Steinkjer. The survey was not available in Løten. The surveys explicitly compare what the users think of the different institutions within each municipality but are not useful as a basis for comparisons between municipalities. Third, I interviewed political and administrative leadership in each municipality; leaders, employees, and user councils in all institutions; and, when relevant, representatives of public organizations for the elderly or parents. I met with the interviewees individually or in focus groups. In total, I conducted 55 semi-structured interviews with 91 individuals. I used the same field guide in all interviews with people in the same positions, but there were different questions for municipal leaders, institutional leaders, and employees, and the relatives or representatives of users. The interviews were all transcribed and analyzed. Based on all data sources, I wrote a report on each municipality that documented the variation between policy fields and sectors, and structured in order to make further comparative analysis between municipalities.\(^{b}\)

**Findings: Goals, Steering Mechanisms, and Independent Resources**

The vast amount of data makes it impossible to report more than the key findings within the scope of this article. The following analysis is organized through three analytical lenses in which I evaluate the goals and governance of institutions based on the market logic, hierarchical logic, and civil society logic indicators presented in Table 1.

Goals and Steering Mechanisms—The Market

*Nursing Home: Fight for Market Share and Market Differentiation?*
Users cannot choose a nursing home themselves. To get a placement in a nursing home, they must apply to the municipality, which will, if the user meets the criteria, allocate the citizen to a nursing home. Since all nursing homes get their patients assigned by the municipality, neither the non-public nursing homes nor the municipalities want the institutions to offer something different from the public option. In contrast, all parties stress that citizens should receive the same care with no regard as to who owns or operates the nursing home. Paradoxically, the nursing homes simultaneously want to emphasize their distinctiveness: the for-profit nursing home to stand out from its competitors and the nonprofit one to be loyal to its values.

The for-profit nursing home chose a “service concept” as its specialty. The company wants to use its hotel management experience to make service the overarching concept in all company branches. This should manifest through kind greetings from all employees at all times and a friendly atmosphere at the entrance that “is not to be regarded as a simple smiling course,” as the director stated. Surprisingly, the municipality’s user surveys show that this nursing home scored the lowest on the indicators concerning service. In addition, none of the interviewed care workers mentioned service as something important to the company. It is thus difficult to see that the service concept has any importance.

For the nonprofit nursing homes, Christian values are the specialty. Since the residents are not any more likely to have a Christian view of life than in the public nursing homes, it is not possible to give religion extra prominence in the residents’ daily lives. Generally, the nursing home wants Christian values demonstrated in the day-to-day contact between the care workers and the residents, and this is evident in all of the institution’s written documents. Interestingly, the interviewed relatives all agreed that there was no trace of Christianity at the institution. One said: “No, no, no! That is only in the name.” Taken together, this shows that catering to niches is very difficult if the citizens themselves do not choose institutions. It is
difficult to create or nurture a distinctive profile since the municipality influences the operation of the nursing homes, and does not really want distinctiveness; instead, the municipality believes any space available should be suitable for the next person on the waiting list. This creates a distance between the ideal that the non-public should be distinct, since this ideal is formulated in the institutions’ formal steering documents, and the reality that there is little room for such diversity in the nursing home sector.

Schools: Fight for Market Share and Market Differentiation?

On the issue of competition between schools in a market, all public schools are supposed to cover the whole population. According to user surveys conducted by the schools, approximately two thirds of the families choose a school because they believe in the school’s values or methodology. The remaining third is divided between students escaping public schools and those who give other reasons, such as proximity to home. Even when the municipalities have a de facto free choice of public schools, some families who had bad experiences saw nonprofit schools as a kind of safety valve for the students. Statistical studies with data from the 2003–2004 school year showed that the parents of students at nonprofit schools have had more education than the parents of students in public schools, but there were no other important systematic differences (Helland & Lauglo, 2005). One would think that the need for parents to contribute 15% of the school expenses would exclude lower-income families from nonprofit schools, but no differences regarding parental income were detected.

Each municipality is divided into different school regions, so that each child has a public school where he or she belongs. The nonprofit schools do not fit into this pattern, and the students must actively choose to enroll there, meaning that they represent de facto free choice. This could be the basis for competition, because nonprofit schools get grants per student and the municipality has its state resources reduced for each student who opts out of
public school. However, all the interviewees at all schools concurred that they saw no competition; they wanted only to be an alternative. The principal for the Montessori school stated:

So we have agreed to encourage students to stay where they are, either here or in the public school. Therefore we have worked together [the principals in public and nonprofit schools] to stop the [students from] running between schools because we see that it does not help the student.

Clearly, this statement, which is representative of all interviewees in all schools and public administrations, does not reflect a situation where there is a fight for market share in an open school market. The strategic documents of the nonprofit schools also emphasize this reluctance to see themselves as market actors. Thus, there is no market differentiation based on social criteria of the students’ families, but conscious selection of nonprofit schools by a minority who prefer their service. Unlike the nursing homes, there is no important difference between the stated and actual distinctiveness of the schools in question, since they attract students by being different from the public option. In none of the policy areas was a market logic be identified as central for the steering of any institution: in the nursing homes, because there is no user choice, and in the schools, because there is no nonprofit willingness to act as market actors.

Goals and Steering Mechanisms—Hierarchy

Nursing Homes: Non-public Flexibility?

The leaders of the nonprofit and for-profit nursing homes that participated in this study were outspoken about their positions outside the municipal bureaucracy, which gave the leaders more room to maneuver in their smaller, more flexible organizations. Both leaders referred to the combination of the stability in the institutional framework provided by the
contract and the absence of authorities that can overrule or cancel new initiatives in the organization.

These leaders’ counterparts at the public institutions did not express any longing for more organizational freedom. Instead, they claimed to have considerable leeway in running their organizations, limited only by “legislation, regulation, and the limits of the budget.” At the same time, both public leaders also stressed the importance of seeing the municipality’s care sector as a whole. As public employees, they are responsible not only for the institution they head but also for its overall functioning in cooperation with other parts of the welfare sector, such as home care service.

A recurring theme from many informants in the nursing home and school sectors was that the autonomy of non-public providers provided increased stability in the framework and room to maneuver locally, but at the same time decreased the flexibility the municipalities have to design their services. The tradeoff is between central flexibility and local autonomy, and contracting out services is a way for the municipality to insulate institutions from this downside. This in turn can increase the burden on the institutions left in-house since the strain of change, for example, budget reductions or an increase in the number of users, is split among fewer institutions.

This is the difference between nonprofit and for-profit nursing homes. After the public tender has resulted in a contract, the municipality will not intervene in a for-profit nursing home’s operation other than what was agreed upon in the contract. The contract between the municipality and a nonprofit nursing home states that the nursing home must maintain the same quality, use the same quality standards, and report regularly to the municipality. According to the interviewees, this enables the municipality to make detailed interventions in how the nursing home is run; thus, local steering resembles public institutions.
**Nursing Home: Role of the Owner**

In addition to the influence of the municipal hierarchy, non-public nursing homes also receive steering signals from owners. The non-profit nursing home in this study is part of a small foundation with three other institutions and an administration of only three staff members. The lack of resources at the central level makes it very hard for the foundation to monitor and steer the nursing home. Thus, many decisions are made at the local level, and much power, therefore, rests with the local director with less external influence.

The for-profit nursing home in the study is part of a bigger company, and the leader’s superiors at the head office continuously scrutinize her. In addition, all larger investments must be cleared with the parent company. More importantly, the company has a particular model for the staff organization. This stands out from the standard model at public institutions in terms of the composition and organization of the different professions, such as the nurses and licensed practical nurses. The “service concept” is also used to stand out from competitors. The nursing home must adhere to these company-wide strategies. In this case, the room for local steering of the for-profit nursing home is limited, not by the municipal bureaucracy but by the owner.

**Schools: Non-public Flexibility?**

Since municipalities have no authority to approve or control nonprofit schools, the municipal authorities have little formal influence to steer these schools. In-house public schools depend on the annual budget allocation from local politicians and all other teaching initiatives passed at the municipal level. In addition to the formal differences, the use of written plans and test regimes also differentiates the public and nonprofit schools. All public schools have detailed written plans that are approved by the municipality and revised according to developments such as the results of user surveys and national tests. Of the
nonprofit schools investigated, only the Christian school had written steering documents, and they mostly discussed how Christianity should influence the school. National Norwegian, English, and mathematics tests are compulsory for all schools. All municipalities in this study have set goals for the public schools, and the results are followed up by the administration to make sure the schools work seriously on the issues. As is most often the case in Norway, the nonprofit schools all have a much more relaxed teaching philosophy about testing and, to a certain degree, are hostile to the “testing rush” in public schools. The lack of emphasis on indicators for school comparisons such as written plans and national tests also indicates the limitations of market forces in the school sector. The test results are a fast and easy way to compare schools. When nonprofit schools choose not to use test results to promote themselves, it suggests that the provider plurality is not market driven, especially when seen in connection with the reported unwillingness of all interviewed parties at the schools to speak about competition and the fight to attract students.

The formal location detached from the municipal hierarchy therefore gives room for local steering in accordance with values and identities and not with test and formal arrangements. Taken together, this gives nonprofit schools more flexibility, which can help explain why the parents in nonprofit schools stated that they received more flexibility when they are in day-to-day contact with teachers asking for changes or adoptions for the specific needs of their children.

**Goals and Steering Mechanisms—Civil Society**

*Nursing Homes: Additional Input*

In addition to public funding, the most visible example of input was, in all cases, volunteers. At all four nursing homes, volunteers participate in the core caring tasks to a limited degree; the volunteers are more active in fulfilling the residents’ social needs. Two
institutions stood out; their strong volunteerism is connected to location and tradition, and not sector. One public nursing home has a strong culture among employees that has inspired former staff members to form an association of “friends of the home.” About 130 paying members host social gatherings for the residents, organize visitor services, and take the residents out on trips, and through external funding from endowments, charitable foundations, and private gifts, pay for upgrades at the nursing home, such as buying new TVs or furniture.

The nonprofit nursing home was also notable for volunteer input. For this nursing home, location is important since the home is in a small close-knit community where local associations, choirs, and organizations regularly visit to sing, serve coffee and cake, and host various social events. The nursing home volunteers also meet in other local arenas. This way, the volunteers make up local networks that create a culture and pressure that support volunteer participation for the good of the local environment. The nursing home is Christian, but few associations that volunteer are faith-based. Geography seems to play a role in strengthening the civil society logic in the steering of the institution. Interactions with the local community actors influence the reality at the nursing homes in ways that make the homes’ structure different from the hierarchical structure.

Schools: Additional Input

The main contributors of additional resources in the nonprofit schools are the parents. This was evident in all three nonprofit schools. For example, at the Waldorf School, the parents clean their children’s classrooms, do most of the maintenance work on the building, and host an annual Christmas market that generates about 22,000 euros for school renovations. The Montessori school is supported by a Montessori association, which initiated the process of obtaining a license to open the school and today nominates members to the school board. In
the Christian school, the parents renovated the school building and did all the cleaning during the first few years.

At the nonprofit schools, the teachers describe their work as more of a lifestyle than a job. Even if this is true, it is difficult to say how much more it is the case there than in the public schools that also have dedicated teachers. What stands out, however, is that at the Waldorf School, the teachers receive somewhat lower pay than at the public schools. The teachers fixed their pay to a collective agreement between the teachers’ union and the municipalities but used a two-year-old version; therefore, the Waldorf School teachers are always two years behind the salary developments of their public school colleagues. The Christian school was founded by a missionary organization that has a strong tradition of unpaid labor, and accordingly has a policy of paying only 90% of the salary the municipalities pay, regarding the last 10% as a donation from the teachers. In schools, expenses for personnel costs are the dominant expense; therefore, reduced teacher salaries make a considerable contribution by freeing up funds that the school can spend pursuing local priorities, and thus increasing the autonomy of the institution.

In the three public schools, parents did not make similar efforts. The schools follow the standard Norwegian pattern, in which the parents’ association is responsible for typical yearly celebrations of events such as Christmas, the national day, and the end of the school year. Interestingly, the public school in Steinkjer, which is situated in a small village, similar to the nonprofit nursing home, has comprehensive cooperative relationships with various volunteer associations in the village. The principal described the school as dependent on the “local community,” and the cooperation ranged from sport clubs that prepare tracks for skiing to the local chapter of the Norwegian Women’s Public Health Association (Norske Kvinners Sanitetsforening), which pays for trips to the swimming pool. Again, geography seems to play a role since the same local network mechanisms work here as in the other small communities.
In this case, in the public school civil society logic enters the steering of the institution and thus makes it more hybrid.

The Contested Logics: Arenas for Voice Imposed by Public Regulation

At the nursing homes, the municipalities impose user surveys and user councils on all institutions independent of sector. The variation in the functioning of these forms of voice is therefore between the municipalities and not between the sectors. A municipality with a tender process requires a more formal arrangement, since the organization of voices must be included in the contract. For the nonprofit nursing home, the municipality can impose such measures when it pleases, and there is not the same need for a formal arrangement.

The highest authority in the public school is the municipality itself, even if the public schools also have formal arenas for input from students and parents. In the nonprofit schools, the local school board makes the most important decisions. The school board is, in all cases, composed of parents, but the principal, staff, and someone from the municipality are also entitled to be present and speak their case, though they do not have voting privileges. The board hires the principal and is responsible for all aspects of the school’s operation. The users, therefore, have “all the power,” as a principal of a nonprofit school said.

In the nursing homes, the users who help steer the institutions bottom-up have a certain influence through formal channels, but there are no differences between the public and non-public providers. In the schools, there is even more such influence from the users, but there is more variation between public and non-public schools since the non-public school has heavier bottom-up steering through formal bodies for users.

Conclusions and Implications
Can nonprofits operate with distinctive goals and steering mechanisms? From this exploratory case study, no definitive, broad answers can be given. However, the case study suggests how this works at the local level in a Scandinavian-style welfare society, where the government takes broad responsibility for services.

In recent years, these societies have had more ambition to create development through outsourcing and quasi-markets. Within these sectors, nonprofit and for-profit providers will always be hybrids. This investigation showed what determines the composition of different logics within different providers. The lesson about hybridity is that room for non-hierarchical steering stems within the individual institution and from the context created by location, funding, and oversight. This makes it possible to speak of degrees of hybridity, and thus move the debate beyond the mere definition of hybrid organizations. For instance, Billis (2010a) used the role of staff to differentiate between entrenched and shallow hybrids. This case study also showed other features such as location, financing, and regulation change the competition between steering logics. The combination of the influence of the different logics in a Scandinavian context makes an organization more hybrid when non-hierarchical steering mechanisms play a bigger role and less hybrid when non-hierarchical steering plays a smaller role.

First, a specific geographic location can make an organization more hybrid. Institutions in small, close-knit communities exploit local networks to enhance volunteering and sense of ownership in the institutions. Members of the community who are already part of organizations and associations are recruited to make important contributions to the institutions. These mechanisms transcend the sector split, since nonprofit and public institutions have the same access to these local networks. In all the municipalities, institutions that are part of a local community can access organized resources unavailable to institutions that cater to users from a bigger, undefined area. This shows the limits of design from the point of view of the
institutions operate within a locally anchored social environment, and this is something to which they must adapt.

The importance of oversight is evident in the variation between the fields. Hybridity is stronger in schools than in nursing homes. This difference can be explained by the types of different oversight in the two fields: Schools are part of demand-driven oversight where users choose among preapproved nonprofit alternatives while nursing homes are part of supply-driven oversight where they are integrated in each municipality. Unlike the full funding of nursing homes, schools receive only 85% of their funding from the municipality. That schools get their funding directly from a more detached state agency, however, seems more important for their autonomy than the level of funding itself. The state agency has neither the will nor the ability to exert the same level of control and influence over the various institutions as municipalities. For non-public nursing homes, their integration in the municipal services makes these homes vulnerable to the wants and decisions of the hierarchical structure of the municipality, and the municipalities seize this situation to impose content equality on the service. Therefore, among nursing homes there is considerable difference between the formal goal of being different from the public option and the reality that they from the user’s point of view they are run in the same way. In the schools, there is more consistency between formally formulated steering and the reality shown in this study. To obtain the virtues of provider plurality, distinctiveness must be allowed by the municipal administration and wanted by the users.

Regarding funding and alternative sources of resources, the nonprofit schools receive by far the most volunteer effort by users’ relatives. Together with regulatory slack, local enthusiasm gives these schools the freedom to develop a real alternative to the content provided by public schools. Willingness to volunteer at the institution and the ability to participate in running the institution go hand in hand and reinforce each other. In addition,
these sectors are work-intensive, so when employees accept reduced salaries for working in
an institution their unpaid labor easily becomes the most important form of extra resources.
This resource is available only in institutions that nurture a local culture based on the
institution’s distinctiveness. The comparison of schools and nursing homes therefore shows
how oversight, financing, and special nonprofit traits work together. The non-public nursing
homes have less interest in being different from the public option but also less opportunity
within the municipal structure. The nonprofit schools have more room for variation and more
desire to use this room. These effects reinforce each other as the schools push for more
regulatory freedom.

Geographic location, regulation, and alternative sources of income can all contribute
to making an organization more hybrid, in the sense that the hierarchical steering is
challenged. What is surprising is the limited role market mechanisms play in these cases. For
example, the nonprofit schools operate in a system with free user choice and receive funding
per student. This should be a strong economic incentive for expansion and market-like
competition. Yet there are practically no signs of such behavior or mentality in the schools.
One explanation is the absence of for-profit actors in the school sector. It is probable that for-
profit schools would have changed the dynamic of the market (see, e.g., how this happened
when Sweden created a school market with for-profit schools (Vlachos, 2011)). The strong
presence of the civil society steering mechanisms is thus the result of a regime where the
municipal hierarchy is kept at arm’s length organizationally and for-profit actors are not
allowed to influence the sector. Consequently, this exemplifies how provider plurality and
genuine user choice for citizens can exist without powerful market forces.

Notes
A Waldorf school has an approach to pedagogy based on the educational philosophy of the Austrian philosopher Rudolf Steiner. Waldorf schools are also known as Steiner schools.

The reports are written in Norwegian and are accessible at:

http://www.samfunnsforskning.no/Prosjekter/Paagaende-prosjekter/Utkontraktering-av-skandinaviske-velferdssamfunn

References


