The role of the fourth sector in the context of the COVID-19 pandemic

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Abstract
The fourth sector, which is composed of “for-benefit” enterprises, can play a fundamental and positive role for the community, particularly in the context of the COVID-19 pandemic. It supports public organizations and protects disadvantaged populations. Further research is suggested on the cross-sectoral collaboration based on non-profit motivations during the pandemic.

KEYWORDS
cross-sector collaboration, fourth sector, hybrid organisations, pandemic, SARS-CoV-2

JEL CLASSIFICATION
L31; M14

1 | INTRODUCTION

COVID-19 is an infectious disease that causes severe acute respiratory syndrome (Direcção Geral de Saúde [General Directorate of Health], 2020a). It appeared in Wuhan province in China and quickly spread worldwide (Velavan & Meyer, 2020). Aware of the spread of the disease internationally, on March 18, 2020, Portugal declared a state of emergency with 642 cases, 30 of which were in the municipality of Ovar, (Direcção Geral da Saúde, 2020b). Given this fact, the municipality was forced to adopt a Cordon Sanitaire (CS) for a month. People were not allowed to enter or exit the municipality, except in particular cases. The CS was characterized by a measure delimiting a certain site which, for health reasons, should be isolated from neighboring localities (Order No 3372-C/2020 of the Presidency of the Council of Ministers and Internal Administration, 2020).

Due to this pandemic context, several organizations in the municipality closed doors or reinvented their way of acting to support non-profit organizations that had to remain active because of their mission in assisting the population. In the form of an appeal to the community, solutions emerged that would materialize in cooperation and synergies.

The fourth sector refers to the fourth sector, which comprises enterprises providing assistance, cooperation, and solidarity. It is characterized by three main strands: informal volunteering, self-organized civic activism, and hybrid organizations (Rask, Puustinen, & Raisio, 2020). The fourth sector also refers to collaborations across all sectors of society when this assumes the achievement of a certain objective (Bryson, Crosby, & Stone, 2015), such as the mitigation and control of the COVID-19 pandemic among the most disadvantaged people.

According to the Ibero-American General Secretariat report, the fourth sector is still very embryonic in Portugal. Portugal has 2,286 organizations in the fourth sector, but experimenting exponentially in recent years (Grynspan & Mataix, 2020). However, as the United Nations addendum suggests, it is important to regulate the sector. It is one of the critical resources for achieving social, environmental, and/or cultural purposes, which allow meeting sustainable development goals (Grynspan & Muñiz, 2019).

1.1 | Rationale of the research

In recent decades, barriers across different sectors have been overcome. Increasingly, with market changes and consumer perspectives, there is an urgent need for organizations that combine financial sustainability with social, cultural, and/or environmental purposes that are clearly defined in their management models. Moreover, in certain conditions, there has been a collaboration between all sectors of society to achieve a common goal.

The CS is defined in the particular context of COVID-19 pandemic, which, per se, has challenged the paradigm of social and
economic conditions. Although cross-sectoral collaboration has been (yet incipiently) explored in the literature, the CS context has not been the scenario for exploring the collaboration across sectors with such different perspectives and objectives. The isolation of a certain place challenges society’s existing paradigms, requiring adapted and new entrepreneurial strategies.

Thus, an opportunity arises to study the fourth sector’s role in a concrete context of a pandemic, given the greater collaboration between society to mitigate the COVID-19 virus, the fourth sector’s concern to support the most disadvantaged population and the lack of regulation in this area.

1.2 | Objective

This study aims to analyze the role of the fourth sector, specifically the role of hybrid organizations and collaboration across sectors in the context of a pandemic, from the perspective of non-profit organizations. Our case explores how entrepreneurial activities were put forward to contribute to the population’s needs and how the private initiative responded to SC’s particular context.

1.3 | Innovative contribution

The literature review allows a deepening of theoretical knowledge in the fourth sector, although this subject is still little explored in the literature. However, the most innovative impact refers to the context in which the cross-sectoral collaboration takes place. To our knowledge, the entrepreneurial strategies and motivations in such context have not been explored thus far.

2 | LITERATURE REVIEW

The discussions on civil society classification, considering its organization model, led to the definition of three traditional sectors (public, private, and non-profit) with different objectives, needs, and interventions. A so-called fourth sector was recently defined along three distinct strands. The first strand focuses on the informal volunteering by individuals who support other individuals on a given problem without acting within an organizational context (Carson, 1999; Reed & Selbee, 2001). The second strand focuses on self-organized civic activism in an area of civil society with an activity that is structured outside the non-profit sector (Pasi & Faehnle, 2017). The third strand focuses on the emergence of hybrid organizations, the object of study in the present article.

Hybrid organizations are characterized by the aspiration to generate social impact and profit simultaneously (Haigh, John, Sophie, & Kickul, 2015). They present value systems and logics of action of the different sectors and elaborate on their management models based on the resolution/improvement of a social problem (Gidron, 2017). The management model also assumes that certain commercial activities are consistent with a defined objective (Rask et al., 2020). Authors argue that hybridity combines characteristics of organizations belonging to the second and third sectors. Hybrid organizations can generate revenue and attract capital in different ways, and present both management models (Schmitz & Glänzel, 2016). These organizations’ purpose is to generate social impact by meeting society’s challenges without neglecting their financial sustainability (Battilana & Lee, 2014; Battilana, Lee, Walker, & Dorsey, 2012; Hoffman, Badiane, & Haigh, 2012).

The management model governing these organizations is still based on the guidelines defined by the other sectors of the economy, given the insufficient political regulation for the fourth sector (Fourth Sector Group, 2016). This model is called the “for-benefit model,” and is defined by the organizational objective of positively contributing to the society and the environment, in addition to generating profits for shareholders (Sabeti, 2011). Organizations that follow this model have the same management structure as traditional businesses, including directors’ appointment, creating a board, and permission to have shareholder-owners (Fourth Sector Group, 2016; Sabeti, 2011). However, unlike traditional business organizations, operations must consider the profit margin and the impact of corporate decisions on the social, environmental, and/or cultural goals set. Likewise, shareholders must consider the organizations’ growth and its success in the community (Fourth Sector Group, 2016; Wolf & Mair, 2019).

The formation of hybrid organizations remains an area of strong development, research, and discussion is continually evolving as entrepreneurs and shareholders investigate new ways to combine social objectives with a sustainable business structure (Fourth Sector Group, 2016). The main characteristics of hybrid organizations of the fourth sector are shown in Table 1.

In addition to the above, the fourth sector collaborates with all sectors of society when they come together to face a need that one sector alone is unable to overcome (Bryson et al., 2015; Sinuany-Stern & Sherman, 2014). This cross-sectoral collaboration summons the creation of powerful alliances with other different sectors (public, private, and non-profit), which, working together, potentially conceive markets and redefine activities. At the same time, simultaneously seek to resolve the most relevant problems of humanity regarding poverty, inequality, hunger, disease, pollution, and other issues related to the environment (Selsky & Parker, 2005). In recent decades, these partnerships have evolved and have been fostered by the fourth sector when all sectors are involved in a common goal that could not be achieved with collaborations between two sectors (Seitanidi, 2009).

In recent years, there has been explosive growth in the cross-sector collaboration, that is, the fourth sector, given the many possibilities that such partnerships offer (Austin & Seitanidi, 2014). According to a study carried out in seven countries by the Ibero-American General Secretariat, Portugal stands out with 2,286 organizations in the fourth sector employing 27,480 people (Grynspan & Muñiz, 2019). The United Nations agenda for 2030 shows that the Portuguese government has committed to promoting the impact agenda and positioning Portugal as one of the most advanced countries in this field (Grynspan & Muñiz, 2019). The
The Economist’s Intelligence Unit had ranked Portugal as one of the world’s seven countries with the most stimulating social innovation policies (Grynspan & Muñiz, 2019: p. 16). However, the Portuguese legislation has no legal regulation (Grynspan & Muñiz, 2019). Therefore, these findings reinforce the relevance of the present article and the selection of the case.

The fourth sector has the requirements to minimize the consequences of the pandemic.

Overall, the present study shows that the fourth sector can impact the sustainable development objectives and their respective targets and create a triple positive impact (economic, social, and environmental) during and after the COVID-19 era (Grynspan & Mataix, 2020).

Based on the literature review, the following propositions are formulated to determine the role of the fourth sector in the context of a pandemic:

**Proposition 1** The fourth sector has a differentiating and positive role in pandemic mitigation and control in third sector organizations (Grynspan & Mataix, 2020).

**Proposition 2** The contributions of the fourth sector met the needs and expectations of third sector organizations.

**Proposition 3** There has been a collaboration between all sectors of society to mitigate and control the pandemic.

### 3 | RESEARCH METHODOLOGY

The methodology used in this research is that of the exploratory case study. The aim is to develop the theory by exploring a given phenomenon and its respective context (Dooley, 2002). Exploratory studies aim to define questions and hypotheses for further research,
providing support for theorization (Yin, 2009). The study’s methodological objective is to respond to the literature review’s propositions by collecting and analyzing data provided by third and fourth sector organizations during the pandemic period.

Given its exploratory nature of the study, secondary data from different sources were collected. Most of the data sources were national and local news. Our approach was mostly descriptive, exploring the nature and mechanisms of cooperation, the fourth sector’s emergence under a pandemic, and unexpected context.

4 | RESEARCH CASE

The COVID-19 pandemic experienced worldwide has had a significant impact on all sectors of society. In particular, the municipality of Ovar showed an exponential increase in the number of cases and was forced to remain isolated from the other neighboring municipalities, with entry and exit prohibited for approximately 1 month.

During the health fence, trade, restaurants, and industry were forced to close their doors. The government had dictated that only organizations producing essential goods and services and those in the third sector, given their social mission, were allowed to remain in operation. With the closure, Private Institutions of Social Solidarity (IPSS) of the municipality decided that, in order not to put the residents at risk, they would stay with a team of technicians, nurses and collaborators 24 hr a day in the institution, thus avoiding the flow of entries and exits. In the following week, Ovar became the country’s ghost council, with the whole community fulfilling the social isolation that the state had implemented.

In the following days, the cases continued to increase in the municipality. The virus had reached two organizations of the third sector, the Residential Structure for Elderly (ERPI) of Santa Casa da Misericórdia de Ovar and the ERPI of the Social Action Group of São Vicente de Pereira. The residents of these organizations, aged between 60 and around 100 were at risk given the associated comorbidities.

In this period of great uncertainty and doubt in the face of the unknown, measures and contingency plans were drawn up by third sector organizations to contain the virus and avoid further spread among residents and employees. However, material, human and financial resources were scarce. As a form of appeal and awareness, the third sector’s demands would not be met without all the municipality organizations, regardless of their sector. They sought to collaborate, thus creating intersectoral partnerships.

With the proper authorization of Ovar City Council, companies in the private sector redesigned their assembly and production lines to design free of charge the materials necessary to supply the local hospital and the IPSS of the municipality. The employees of these companies used their lunch break to continue production, given the recurrent demand for Personal Protective Equipments (PPEs).

During the siege, the aim was not the monetary gain, but to alleviate the health crisis and meet local needs. Feeling useful became one of the primary motivations for the fourth sector’s urgency in the municipality, although it could not be on the front line. For instance, two large private companies called Ramada Investimentos e Indústria, S.A. (with head office in Ovar) and Simoldes Plásticos, S.A. (headquartered in Oliveira de Azeméis) had created a project along with the City Council and the IPSS of the municipality of Ovar called “Projeto Armadura,” which refers to the fourth sector. This project had a single objective to produce and distribute visors during the fence period, since, with the county closed, the shortage of material was increasing. This fourth sector initiative proved very productive since the Ramada Group supplied the special steel, which is the material needed to manufacture various materials. The Simoldes Group, which manufactures injection molds for the plastic industry, developed the mold needed to produce visors in seconds. The two companies worked together to manufacture the material, and the City Hall helped identify the municipality’s needs. Since Ramada Group did not receive the authorization to produce and had steel material retained in warehouses, it managed, through this partnership, to supply the needed material to Simoldes Group, which started its activity immediately. Due to the partnership with the municipality, it was possible to obtain the proper authorizations and the follow-up of the entry and exit of the material and PPEs. When Ramada Group had the authorization to work still inside the sanitary fence, it helped in the process of management and distribution of the material to the IPSS, including Santa Casa da Misericórdia de Ovar, and other parties in the front line, such as hospital, security forces, firemen, among others. Besides, visors, surgical masks, surgical gowns, cuffs, and leggings acquired through other companies were provided free of charge.

The Ramada Group stresses that “although it was prevented from working due to the calamity, it could not fail to support the community with the essential steel for the visors.” The Ramada Group also describes that, despite this overwhelming scenario, the municipality and people of Ovar managed to unite more than ever and brought mutual help and community solidarity, an evident characteristic of the fourth sector. Without the collaboration of all the sectors, it would not have been possible to carry out the visors and ensure that they all reached those most in need. When the fourth sector is allowed to support the community, the benefits are evident. Santa Casa da Misericórdia de Ovar shows that this support was pivotal in equipping its collaborators when the material was scarce and allowed for some tranquility and security. This project has grown exponentially over time and has produced a total of 200,000 visors. Other companies were associated with this project at a national level, essentially for distribution and logistics. It was thus possible to equip other organizations outside the municipality and provide more protective equipment.

The need to equip professionals was astronomical with the organizations of the third sector of the municipality. However, they highlighted another great need, the separation of residents with COVID-19 from the others. The lack of infrastructures, conditions and equipment forced Santa Casa da Misericórdia de Ovar to appeal for help. When this situation occurred and the need to carry out an extension of the local hospital, the City Hall collaborated with the Ovar Sports Association to give up its arena and create a Campanha hospital, the Angel Hospital of Ovar.
Later, DS SMITH Packaging Portugal, S.A., which works in cartooring (with facilities in Esmoriz, Ovar), offered the hospital partition panels to ensure patients’ privacy. This collaboration of the fourth sector allowed Santa Casa da Misericórdia de Ovar to remove some residents of its facilities to the Angel Hospital of Ovar, allowing more effective isolation. Despite these facts, it was found that there was a need to relocate more infected residents. In this way, they were allocated in other infrastructures of Santa Casa da Misericordia de Ovar, with the city council and local private companies to assemble the necessary beds and equipment.

Some hybrid organizations of the municipality redirected their purposes. In this specific case, the DS SMITH mentioned above, having in its management model environmental purposes, has redefined its mission to correspond to its stakeholders. This way, it donated carton equipment, tables, and chairs to Santa Casa da Misericórdia de Ovar to guarantee more comfort to the residents. Being a multinational company, also allowed to support other organizations and carry out campaigns to acquire PPEs.

Santa Casa da Misericórdia de Ovar, as a third sector organization heavily involved against the disease, demonstrates that, without the fourth sector, it would have been practically impossible to mitigate the impact of COVID-19 on the municipality and guarantee the safety of the community, especially the supported underprivileged populations.

The fourth sector is critical when it is necessary to act quickly, given the different capacities of all community sectors, material, financial and human resources. This fact was evident in the immediate need of preventing the spread of the virus. Besides, the hybrid organizations that make up the fourth sector have revealed the ability to aim at different purposes, which has made it possible to support all the organizations that make up the third sector, regardless of their mission. Social vulnerability and the lack of a framework to sustain the impending crisis are two reasons to deal with the critical situation with the fourth sector’s support.

In short, there was an urgent need for the assistance and collaboration of the entire resident community in the period of the health fence. This study found collaboration among all sectors and the participation of hybrid organizations from the municipality to pursue the common goal of mitigating the COVID-19.

Concerning the gaps that have been highlighted, there is a lack of regulations and laws to determine their organization. The fourth sector is critical for pursuing community goals and calling for specific guidelines and government support. Its effectiveness and importance for third sector organizations, especially those dealing with the crisis and pandemic situations, is in the focus of future research.

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