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Sector Blurring: A Systems-Theoretical Perspective

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Abstract

Why are the public, private, and nonprofit sectors increasingly difficult to distinguish? This paper offers a new systems theory-based explanation. We argue that organizations today must respond simultaneously to demands from multiple function systems—legal, economic, political, scientific, and more. This creates internal pressure to accommodate competing expectations. As organizations adapt by integrating these demands into their structures and practices, traditional sector labels lose their descriptive value. We introduce a process model that explains this transformation in three stages: rising functional turbulence, multifunctional restructuring, and the erosion of established sectoral categories. This perspective moves beyond conventional accounts of sector blurring that focus on resource dependence and institutional logics. Instead, it shows how deeper shifts in today's functionally differentiated society are reshaping how organizations function, how they are evaluated, and how they are classified—with far-reaching implications for governance, legitimacy, and the future of organizational identity.

Keywords: corporate social responsibility; functional differentiation; multifunctionality; nonprofit studies; sector blurring
JEL: M31; L14; D23; Z13

1. Introduction

Public hospitals float bonds on Wall Street. Charitable universities run venture funds that incubate crypto start-ups. Certified B Corporations (B-Corps) commit legally to both investors and ecosystems. These are not anomalies, but indicators of a systemic shift: the categorical erosion of "public", "private", and "nonprofit" as stable organizational identities—and as foundational distinctions in management and organization research (Roth et al, 2025). Scholars and practitioners increasingly invoke the term *sector blurring* to describe this shift: the apparent dissolution of historically insulated domains of governance, profit-making, and civic engagement (cf. Witesman, 2024, p. 374; Child and Witesman, 2024). Yet for all its empirical richness and growing scholarly uptake, the concept of sector blurring remains curiously undertheorized. Even as it charts the erosion of boundaries, it remains tethered to the very frame of *sectors*. The prevailing metaphors—hybrids (e.g., Hallonsten and Thomasson, 2025), boundary crossers (e.g., Lewis, 2012), sector bending (Dees and Anderson, 2003)—all presuppose that sectors are ontologically real, exogenous domains that actors can occupy, bridge, or combine. Blurring is thus cast as an anomaly—a deviation from an assumed normalcy of clear-cut classification. The irony is acute: even as research documents the instability of sectoral boundaries, it rarely interrogates the continued usefulness of the categories themselves.

This paper seeks to reframe sector blurring by theorizing how the category *sector* itself has become unstable—not because actors transgress its borders, but because society no longer furnishes a clear basis for such borders to hold. We develop a framework to explain why the heuristic value of sectoral distinctions is waning. Why do the same descriptors—"resilient", "impact-driven", "innovative"—now appear in annual reports of nonprofits, multinationals, and ministries alike? Why do regulatory and normative expectations cut across legal forms, from environmental, social, and governance (ESG) metrics to digital platform governance? These developments call for a theory that does not assume sector categories—but interrogates their very conditions of possibility.

We propose that such a theory is already available—though largely untapped—in the Luhmannian tradition of systems theory (cf. Luhmann, 2012, 2018). Niklas Luhmann's account of modern society is not organized around sectors, but around *function systems*—economy, politics, law, science, religion—each governed by its own binary code (e.g., payment/non-payment, legal/illegal). These systems are operationally closed but interlinked through organizations, which act as mediating forms capable of navigating multiple function system codes. Within this framework, categories like "public" or "nonprofit" do not describe ontological entities but function as semantic constructs—temporary stabilizations of systemic complexity. Luhmann's theory allows us to ask a different question: not

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"Who blurs boundaries?" but "What social conditions erode the usefulness of boundaries as classificatory devices?" This shift moves us beyond theories of strategic hybridity toward a theory of epistemic breakdown—how societal evolution undermines our ability to rely on sector labels as predictive heuristics. This is not merely a theoretical refinement. It responds to a world where organizations are expected to reconcile conflicting imperatives—profitability and decarbonization, transparency and innovation, legality and solidarity—without any single code offering adequate guidance.

The Luhmannian lens underscores a critical structural condition of modern society: in a world composed of functionally differentiated systems, organizations must navigate environments that no longer speak with a single voice. Take, for instance, a contemporary pharmaceutical firm. It is evaluated simultaneously by scientific communities (clinical rigor), economic markets (stock performance), legal regimes (intellectual property rights), and political institutions (public access and equity). No single function system offers a comprehensive orientation for organizational action. Today's grand challenges—climate change, digital misinformation, pandemic response—do not respect the boundaries of function systems. They demand decisions that integrate multiple, and often incompatible, forms of rationality. What is considered "viable" or "legitimate" can no longer be derived from any one code alone.

This is the critical context for what we later theorize as *functional turbulence*: a condition in which organizations are exposed to persistent, cross-system demands that resist reduction to a dominant code. As global problems become more complex, the interdependence of function systems intensifies, and organizations are compelled to absorb multiple codes—not as innovation or mimicry, but as a condition of survival. In doing so, they become *multifunctional*—not in the sense of multitasking, but in the deeper sense articulated by Roth and collaborators (2017): organizations become structurally coupled to multiple function systems. As Roth and others demonstrate, this condition is no longer idiosyncratic or experimental. It is becoming widespread (ibid). And as it does, sector labels lose their grip. What does it mean for a firm to be "private" when its legitimacy hinges on public-value frameworks? Or for a nonprofit to be "nongovernmental" when its financing, regulation, and evaluation are saturated by state logic? At a certain threshold, the proliferation of multifunctional organizations renders sectoral distinctions epistemically obsolete.

This paper offers a process-theoretical model that weaves these transformations into a coherent narrative. Although systems theory has often been seen as emphasizing structural reproduction over processual change (cf. Stacey and Mowles, 2016), our approach draws processual insights from within its core logic. We treat systems theory and process theory as complementary: systems theory identifies the structural conditions under which certain organizational responses become more likely, while process thinking enables us to trace the temporal dynamics through which these responses unfold and aggregate. The model we propose is a translation of systems theory insights into a process-theoretical framework that makes visible how functional interdependence produces sequential pressures: from turbulence, to organizational adaptation, to institutional category erosion. In this respect, the model is both novel and faithful to the spirit of Luhmann's project—it maps how social complexity is navigated over time through evolving forms of organizational coupling.

Our argument makes four key contributions. First, we introduce a new causal mechanism—functional turbulence—to explain why mono-functional organizational designs are increasingly unsustainable in polycontextural environments. Second, we develop a midrange model that links macro-level turbulence, micro-level organizational adaptation, and meso-level category change. Third, we integrate disparate literatures—nonprofit studies, corporate social responsibility (CSR), and cross-sector collaboration—by revealing their shared object: the rise of organizational multifunctionality. Finally, and most fundamentally, we offer a systems-theoretical reframing of sector blurring as a symptom of deep semantic instability within the evolving institutional architecture of society.

2. Theoretical Background

This section provides a three-part review to prepare the conceptual groundwork for our argument. First, it surveys key themes in the literature on sector blurring, highlighting how this body of work treats sector boundaries as porous yet conceptually intact. Second, it outlines the systems-theoretical concept of organizational multifunctionality, which explains how organizations adapt to multiple, coexisting function system demands. Third, it explores the under-theorized intersection of these two strands, setting the stage for a new framework that links organizational adaptation to institutional category erosion.

2.1 Sector-Blurring Scholarship: From Empirical Anomaly to Conceptual Frontier

For nearly four decades, the notion that public, private, and nonprofit domains constitute distinct institutional spheres has been under mounting strain (Child and Witesman, 2024). Early interventions—such as Bozeman's (1987) claim that all organizations are "public" to the extent they depend on state authority—laid the foundation for rethinking sectors in terms of functional interdependence rather than legal form. In nonprofit studies, Dees and Anderson (2003) advanced this view under the rubric of *sector-bending*, highlighting ambiguous organizational forms—schools, hospitals, social enterprises—that consistently eluded clear classification. Subsequent scholarship has explored this erosion along three major analytical vectors: resource-dependence drift, institutional logics hy-

bridization, and macro-sociological accounts of cultural isomorphism.

The resource-dependence perspective emphasizes how cross-sector borrowing arises in response to funding shocks and performance pressures. Nonprofits adopt commercial revenue streams amid shrinking public subsidies (Child, 2011), while public agencies internalize managerial techniques once thought unique to business (Child and Witesman, 2024; Hallonsten and Thomasson, 2025). As Dijkstra and van der Meer (2003) show, such drift often results in institutional ambiguity: organizations may be public by regulation but private in ownership, raising concerns over "organizational responsibility and democratic accountability" (p. 90). While these studies trace intersectoral borrowing with sophistication, they often remain tethered to a functionalist lens—viewing sectors as repositories of inputs, strategies, or tools—without interrogating whether the categories themselves retain ontological coherence. Legal form continues to stand in as a proxy for "sector", even as distinctions blur across funding, ownership, regulation, and control.

The institutional-logics hybridization literature pushes the argument further by exploring how organizations internalize and reconcile competing normative prescriptions. Rather than toggling between profit and mission, or market and bureaucracy, organizations selectively fuse institutional logics to enable new forms of coordination and legitimacy (Skelcher and Smith, 2015). Hallonsten and Thomasson (2025) term such entities *constitutional hybrids*—purpose-built forms designed to manage institutional tensions that would be unworkable in mono-functional architectures. These hybrids often emerge in response to structural shifts—such as New Public Management reforms—that promote convergence between bureaucratic and market rationalities (ibid). Yet even this literature typically treats sector categories as intact. Hybrids are positioned as bridging forms between distinct domains, not as indicators of deeper classificatory disintegration.

Hybridization studies within collaborative governance scholarship have expanded the analysis to cross-sector networks, emphasizing how complex public problems increasingly require coordination across organizational boundaries (Park, 2008). This shift entails more than the adoption of new tools—it calls for new leadership paradigms. Nonprofit leaders, for example, are now portrayed as exercising distributed authority (Shier and Handy, 2020) and managing dual imperatives of civic mission and market responsiveness through ambidextrous organizational architectures (Seo et al, 2025). These contributions sharpen our understanding of how organizations adapt internally to systemic complexity. Yet, even as they document the blending of roles and rationalities, they continue to treat sectors as fixed analytical referents. The very notion of hybridity presupposes the durability of sectoral identities—even as the evidence increasingly points to their semantic unraveling.

Empirical research on sector identity frequently confirms this underlying tension. Child et al. (2016), drawing on interviews with fair trade entrepreneurs, find that even in highly hybridized fields, legal and normative distinctions associated with sectors remain psychologically salient for practitioners. Nunes et al. (2024) show that while organizational behavior converges across education-sector entities in Portugal, expressive values such as solidarity and civic orientation remain tied to nonprofit identity. Similarly, Lee (2011) reports that nonprofit employees perceive themselves as more flexible and innovative than their public-sector counterparts, despite operational similarities. These findings suggest that sectoral identity persists in cultural and perceptual domains, even as structural differentiation breaks down. Yet whether this persistence reflects true ontological continuity or merely a lag in semantic adaptation remains unresolved.

This ambiguity becomes especially stark in macro-sociological work by Bromley and associates. Bromley and Meyer (2017) frame sector blurring as a byproduct of the global rationalization of the "organization" itself. As organizations across sectors increasingly adopt similar structures, metrics, and discourses of legitimacy, they argue, a meta-field of isomorphism emerges. Blurring, in this view, is not merely strategic or resource-driven, but rooted in deep cultural transformations propelled by rationalization and liberal universalism. As they put it, "the social construction of the meta-category of 'organization' generates blending and blurring across traditional sectoral boundaries" (Bromley and Meyer, 2017, p. 941). This convergence leads to "institutional isomorphism on a grand scale", where "organization becomes a field of its own" (p. 954), shaped by shared pressures toward transparency, quantification, and structural standardization. Crucially, this blurring is multi-directional: nonprofits adopt managerialism, businesses take on social missions, and public agencies embrace participatory and evaluative practices (p. 941). Bromley and Santos (2024) extend this logic, arguing that the category nonprofit itself is structurally dependent on the legitimacy of formal organization. As that cultural foundation is destabilized, the very distinctions it once supported begin to erode.

Bromley (2020, p. 131) emphasizes that transformations across the nonprofit, government, and business sectors should not be seen as independent developments, but as emerging from shared cultural roots. These roots render sector blurring not only structural but also ideological. The widespread adoption of corporate social responsibility, performance metrics, and governance tools reflects a convergence in normative expectations: "Firms, government agencies, and nonprofits begin to adopt many of the same corporate social responsibility policies and practices" (p. 142). For the nonprofit sector, this convergence creates a paradox—straddling its traditional civic mandate while conforming to managerial demands. As Bromley

notes, "Organizations increasingly claim capacity for autonomous, rational action... while, at the same time, becoming more enmeshed in a web of responsibilities to diverse stakeholders" (p. 142). Bromley and Santos (2024, p. 244) further argue that the very category nonprofit is interdependent with the broader construct of formal organization. As the cultural foundations of organizational legitimacy erode—whether through rationalization fatigue or a liberal backlash—the nonprofit sector faces deep systemic change. These macro-sociological accounts compellingly trace the ideological and structural forces driving sector convergence, yet they stop short of connecting these shifts to the deeper architecture of functional differentiation that characterizes modern society. Even the most sophisticated analyses rarely ask why society itself no longer sustains sectoral distinctions—or how organizations come to bypass them as heuristics for meaning, trust, or legitimacy.

At its most critical, the sector-blurring literature recognizes that boundaries are contingent rather than fixed. Yet the full implications of this recognition remain insufficiently theorized. What is lacking is a framework that explains how foundational distinctions erode—and how this erosion is not merely strategic or symbolic, but structural, grounded in the evolving communicative grammar of modern society. This is precisely the conceptual opening that systems theory addresses. By shifting the analytic lens from sectors as institutional containers to codes as the operative logic of function systems, the Luhmannian tradition offers a fundamentally different vantage point. It invites new questions: Under what conditions do categories lose their classificatory power? How do organizational adaptations aggregate into semantic drift? And what happens when society no longer supplies the distinctions that once stabilized its institutional architecture?

2.2 Multifunctionality: Linking Luhmannian Differentiation to Organizational Practice

Niklas Luhmann's theory of social systems offers a radically differentiated ontology of modern society. Rather than viewing society as stratified or sector-based, Luhmann conceives it as composed of autonomous function systems—such as economy, politics, law, science, education, religion, and health—each organized around its own binary code that defines what counts as meaningful communication (Luhmann, 1995, 2012). These systems are operationally closed: legal decisions are made in terms of legal/illegal, not market efficiency or moral worth; scientific claims are judged true/false, not by their political expedience or commercial appeal. This incommensurability of codes is not a flaw but the structural condition of modernity: a pluralization of meaning across differentiated domains. Within this framework, organizations are not part of function systems but constitute a distinct type of social system. Their defining feature is the capacity for structural coupling with multiple function systems, enabling them to process a wider range of environmental complexity than any single function system can (Luhmann, 2018).

Historically, certain organizational types have been closely linked to specific function systems: ministries to politics, universities to science, banks to the economy (Roth et al, 2017, 2020). This monofunctional alignment was coherent in an era of relatively stable institutional architecture, where organizational expectations mapped neatly onto a dominant code. Such clarity, however, has become increasingly rare. As Bromley and Meyer (2017) note, today's organizations operate within a global field of rationalized organization, where standardized scripts—strategic planning, transparency metrics, performance auditing—cut across traditional sectoral boundaries. In this evolving context, the work of Steffen Roth marks a major theoretical advance. Over the past decade, Roth has developed the concept of organizational multifunctionality: a structural condition in which organizations are coupled to multiple function systems—not incidentally or strategically, but as a prerequisite for viability in a polycontextural society (Roth et al, 2018, 2020).

Roth builds on earlier Luhmannian work, particularly Andersen's (2003) and Andersen and Born's (2007) typology of homophonic, polyphonic, and heterophonic organizations, while extending these ideas to argue that multifunctionality is not optional but imperative, thus challenging the notion that organizations can belong stably to a single function system (cf. Roth et al, 2017, 2020). Rather, organizations must continually navigate functional differentiation by forming structural couplings to whichever systems are vital to their ongoing viability. This vision is further elaborated in Roth et al. (2018) and Will et al. (2018), who describe organizations as transmission links among mutually incommensurable function systems (cf. Rennison, 2007, p. 151). Their role is not merely to absorb expectations, but to translate between divergent forms of meaning. Organizations, in response, become active translators of value plurality (Roth et al, 2020), rendering scientific, legal, and political criteria commensurable with economic ones. Multifunctionality thus reframes organizations not as passive arenas of logic contestation, but as dynamic actors engaged in continuous acts of integration, commensuration, and coordination across an evolving landscape of functional complexity.

Roth and colleagues' elaborations of organizational multifunctionality have primarily focused on the for-profit context, addressing themes such as business model innovation (Roth et al, 2018) and post-merger integration (Sales et al, 2022). Yet these contributions resonate deeply with a central insight from the sector-blurring literature—namely, that blurring is multidirectional (Bromley and Meyer, 2017, p. 941). Sectoral transformation is not confined to nonprofits adopting business-like practices; it also includes the movement of corporations into "prosocial space", notably through corporate responsibility efforts and increas-

ing adherence to ESG metrics (Child and Witesman, 2024, p. 4). In this light, Roth et al. (2020) offer a fresh systems-theoretical contribution to the CSR debate. They argue that corporate multifunctionality allows scholars to sidestep both pro- and anti-capitalist framings of CSR—each of which lacks an appreciation of how corporations structurally integrate heterogeneous expectations as a condition of operating within a polycontextural society. Building on this, Valentinov et al. (2019) deploy the concept of multifunctionality to reconceptualize stakeholder management in Luhmannian terms. They frame corporations as complexity-reducing systems that navigate critical dependencies on their environment—dependencies that span multiple function systems.

Valentinov et al. (2021) extend this argument to corporate social goals. They suggest that profit maximization reflects a monofunctional orientation suited to stable, low-risk environments. When environmental turbulence increases, organizations may assume social goals to remain viable (ibid). The shift toward multifunctionality thus reflects not virtue signaling, but adaptive evolution. In parallel, Valentinov and Hajdu (2021) analyze instrumental and normative stakeholder theory through the lens of functional differentiation. To these authors, both firms and function systems have limited capacity to codify environmental complexity. By comparing the codification limits of the economic function system with those of individual firms, the authors uncover divergent behavioral logics—some aligned with instrumental stakeholder theory, others with its normative variant. Crucially, the authors show that when the economic system's codification capacity proves insufficient, normative stakeholder theory gains traction as a functional guide for navigating polycontextural dependencies.

These insights converge on a pivotal point: multifunctional legitimacy is code-composite. Organizations no longer earn legitimacy through alignment with a single function system. Instead, they are assessed by their ability to satisfy multiple, simultaneous expectations. Indicators such as ESG scores, public-value reports, transparency indices, and stakeholder endorsements do not reflect unified standards, but serve as symbolic condensations of disparate code couplings. From a systems-theoretical perspective, an ESG score blends diverse metrics: economic (e.g., risk-adjusted returns), legal (e.g., compliance frameworks), scientific (e.g., climate modeling), and political (e.g., policy alignment). Organizations are thus evaluated across function systems, not within sectoral silos. As Valentinov et al. (2021) argue, this exposes a growing mismatch between internal codification capacities and external complexity. That mismatch is not merely technical—it is existential. Organizations that persist in mono-functional orientations risk becoming blind to critical dependencies—and accordingly to the polycontextural evaluative schema upon which their legitimacy and survival depends.

2.3 An Integrative Critique: From Hybrid Actors to Eroding Categories

Although the literatures on sector blurring and organizational multifunctionality address overlapping empirical terrain, they have evolved largely in parallel, without sustained dialogue. Both recognize that organizations increasingly defy traditional sectoral boundaries. Yet they diverge in how they conceptualize the underlying dynamics—particularly in how they relate organizational form to systems of social classification.

The sector-blurring literature has been invaluable in documenting the hybridization of organizational forms: public–private partnerships, social enterprises, B-Corps, and other liminal models that defy straightforward categorization (Child and Witesman, 2024; Bromley and Santos, 2024; Witesman, 2024; Plaček et al, 2021). These studies emphasize how organizations blend governance models, cross legal boundaries, or craft hybrid identities to navigate complex legitimacy environments. Hybridity is typically cast as an agentic response—a strategic bricolage in which organizations selectively draw from multiple sectoral toolkits to manage uncertainty or access resources (Skelcher and Smith, 2015). Yet in doing so, this literature tends to preserve sectors as stable analytical anchors. Even as it chronicles their erosion, it treats sectoral labels as durable referents—markers that still structure comparison, evaluation, and accountability. The result is a persistent framing of blurring as a problem of organizational fit, rather than as a symptom of semantic breakdown. By contrast, the literature on organizational multifunctionality shifts the analytical focus from sectoral identity to function system code. It links organizational adaptation to broader transformations in the institutional grammar of society, offering a more structural account of how organizations internalize multiple expectations. However, this literature, too, remains largely tethered to the organizational level. It shows how organizations respond to code plurality, but not how these responses, when scaled, lead to category-level drift.

The core theoretical gap, then, lies in scale linkage: How do the micro-level adaptations of individual organizations generate meso-level effects that undermine the classificatory categories that once organized public understanding, policy regimes, and stakeholder expectations? We argue that bridging this gap requires a meso-level theory of semantic destabilization—a framework that explains not just how organizations become multifunctional, but how society gradually loses confidence in the sectoral categories that once gave those organizations meaning. In the following section, we formalize this argument through a process model of sector blurring. This model centers on a meso-level dynamic: the aggregation of micro-level adaptations into macro-level transformation, thus providing the conceptual bridge currently missing from both literatures.

3. A Conceptual Framework of Sector Blurring

This section introduces a process-theoretic model that explains sector blurring as an emergent, institutional outcome of widespread organizational multifunctionality. The model integrates Luhmann's notion of functional differentiation with recent organizational theorizing on environmental turbulence to show how environmental conditions give rise to multifunctionality and institutional as well as semantic erosion of sectoral categories. The argument proceeds in three analytical phases—functional turbulence, organizational multifunctionality, and aggregate category erosion.

3.1 Phase One: Functional Turbulence

The first phase of our model begins with a key inductive observation: that societal challenges increasingly emerge at the intersection of multiple autonomous function systems—economy, politics, law, science, and beyond. These systems, in Luhmann's theory of functional differentiation, are not coordinated by a central authority but are instead self-referential domains of communication, each governed by its own internal binary code (Luhmann, 1995, 2012). Their mutual incommensurability ensures functional autonomy: political discourse cannot simply override legal codes; scientific truth cannot be validated by economic price; legality is not reducible to political expedience. This architecture once ensured society's capacity to process growing complexity through differentiated rationalities. Yet increasingly, the very problems modern societies face are not internal to any single function system, but cut across multiple systems simultaneously. Public health crises, climate transitions, digital misinformation, financial regulation, or cross-border migration—each of these challenges activates several function systems at once. They demand organizational responses that are simultaneously legal, scientific, political, and economic. In Luhmannian terms, these problems generate environmental disturbances that arrive not through a single system-channel, but through multi-coded bundles of meaning and expectation.

This condition cannot be adequately captured by the concept of "turbulence" as traditionally defined in the organizational literature. In classical accounts (e.g., Emery and Trist, 1965; Burrell and Morgan, 1979), turbulence denotes environments characterized by volatility, interdependence, and unpredictability. More recent work in strategic management further develops this view, linking turbulence to external conditions such as environmental dynamism, knowledge intensity, and task interdependence (Bridoux and Stoelhorst, 2016; Jones et al, 2018), or to the pervasive externalities produced by corporate action (Stoelhorst and Vishwanathan, 2024). In this context, turbulence is framed as a key impetus for stakeholder-oriented governance (Freeman et al, 2023, p. 3). Parallel discussions in public administration and political science similarly treat turbulence as a state of rapid, surprising, and cognitively overwhelm-

ing change. Ansell et al. (2023, p. 4) define turbulence as a world of "multiple, simultaneous changes, each demanding our immediate attention, often creating contradictions and dilemmas." Their response is to propose "robust governance" that envisions stability and change as complementary, encouraging flexible organizational repertoires and cross-sectoral coordination (Ansell et al, 2023, p. 9).

These perspectives undoubtedly enrich our understanding of complexity and adaptive governance. Yet, even the most nuanced accounts tend to remain agnostic about the semantic structure of complexity itself. They treat turbulence as an exogenous condition—unpredictable, dynamic, and multidimensional—but rarely interrogate the internal architecture of the environment in which turbulence unfolds. In particular, they do not theorize the environment as being functionally differentiated—that is, composed of distinct social systems governed by incommensurable codes of communication. To add this critical layer, we introduce the concept of *functional turbulence*, which we take to refer not to volatility per se, but to the condition in which an organization is required to process simultaneous, and often contradictory, communications from multiple function systems. Unlike classical turbulence, which presumes one environment of fluctuating stimuli, functional turbulence assumes many environments—structured, incommensurable, and co-present. It is a higher-order form of societal pressure that arises precisely from the intensification of function system interdependence under modernity. The implications for organizations are profound. Functional turbulence means that no single function system can serve as a reliable compass for organizational survival. The firm that adheres solely to market rationality risks regulatory sanction, reputational loss, or scientific delegitimation. The university that maximizes academic freedom may lose political support or public funding. The tech platform that prioritizes legal compliance may violate public trust or scientific recommendations. Every choice excludes part of the environment—and in doing so, may endanger organizational viability.

To understand why this condition is so structurally precarious, we draw on Valentinov's (2014) formulation of the complexity–sustainability trade-off, a systems-theoretical framework that offers key explanatory traction here. In essence, Valentinov argues that social systems—including organizations—face a paradox: the more environmental complexity they attempt to process, the more they simplify their operations (e.g., by prioritizing a single function system code), and accordingly the greater the risk that they will become insensitive to crucial aspects of their environment. In the context of functional turbulence, this trade-off highlights the fragility of monofunctionality. A mono-coded organization—that is, one that remains structurally coupled to a single system—cannot adjust to disruptions that fall outside its code. It develops what Valentinov (2014) calls "systemic insensitivity": the inca-

pacity to perceive or process changes in its critical dependencies. In Luhmann's terms, the organization has reduced complexity—but at the cost of selective blindness, a condition that increasingly undermines sustainability. Importantly, functional turbulence is not an episodic or exceptional state. It has become a chronic institutional condition necessitates a new organizational response—one that does not seek to retreat into monofunctional purism, nor dissolve into incoherent pluralism.

Crucially, functional turbulence is not an episodic anomaly but a chronic condition, and its roots are endogenous to the very architecture of functionally differentiated society. As Luhmann (e.g., 1965) observed, function systems do not remain modest in scope—they exhibit tendencies toward overexpansion, extending their rationalities into domains once governed by other systems (cf. Valentinov, 2019b). The legal system interprets economic or political questions in juridical terms; science is instrumentalized by markets or politics; education becomes a vector of labor-market optimization. These expansions are not coordinated but overlapping, producing an ever-denser web of structural couplings that organizations must navigate. From this vantage, functional turbulence emerges not despite differentiation, but because of it. It is the second-order consequence of a social order that, while built upon autonomous codes, produces increasingly inter-systemic problems that exceed the processing capacities of any single function system. The resulting pressure is displaced onto organizations, which find themselves structurally embedded at the intersection of competing logics. Every attempt to simplify increases their exposure to blind spots; every attempt to absorb complexity risks incoherence. In this way, functional turbulence reflects the internal contradictions of late-modern differentiation. It is not a failure of the system, but a condition of its success—and it demands a response that neither retreats into monofunctional purism nor dissolves into incoherent pluralism. In the next section, we describe this response as organizational multifunctionality.

3.2 Phase Two: Multifunctional Structuring as Organizational Response

Confronted with the pervasive condition of functional turbulence, organizations must confront a hard structural constraint: the impossibility of remaining viable while responding to only one function system. The organizational response that emerges is not merely adaptive—it is architectural. It involves the internalization of multiple function system codes into the decision premises of the organization itself. This is the essence of what we conceptualize, following Roth and colleagues (Roth et al, 2018, 2020), as organizational multifunctionality: a structural coupling to several autonomous systems, such that an organization processes communications from the legal, political, economic, scientific, or educational systems as internally relevant and systematically routinized.

Crucially, multifunctionality is not a matter of ad hoc responsiveness or opportunistic code-switching. It requires organizations to build formalized interfaces with multiple systems, enabling ongoing and structured communication with their respective codes. These interfaces can take diverse forms—dedicated departments, governance units, evaluative routines, or discursive repertoires—but what unites them is their embeddedness in decision premises. A sustainability office, for example, does not merely promote ecological values; it institutionalizes channels for translating scientific and regulatory communications into operational mandates. A compliance unit does not simply track risk; it filters legal communications into procedural expectations. A stakeholder engagement function interprets political discourse and public pressure into legitimacy parameters. Each of these units operates as a code translator, embedding the logics of external systems into the organization's internal operations.

Importantly, multifunctionality does not imply functional equality or full integration of all function system codes. Organizations vary in how they organize their multifunctional orientation, and several generic configurations can be distinguished. One possible configuration is *selective coupling*—where a dominant code governs the organization's routine operations, while secondary codes are activated contextually. For instance, a publicly listed platform company may operate primarily under the economic code (profitability), yet activate legal or political codes when facing a regulatory investigation or public controversy. These secondary codes are not ignored; they are episodically functionalized as necessary for continued operation. In a different configuration that we may title *parallel compartmentalization*, organizations build distinct subunits to house separate codes. These subunits may operate under different performance criteria, reporting structures, or time horizons. A state-owned development bank may maintain a venture capital arm governed by return-on-investment metrics (economy) and a public-interest lending unit governed by political and legal imperatives. Here, the multifunctionality is spatialized within the organization.

A further possible configuration—*integrative synthesis*—implies that organizations attempt to harmonize multiple codes within a single evaluative schema. The Danish energy firm Ørsted, for example, ties executive bonuses to both financial (EBITDA) and scientifically validated decarbonization metrics (cf. Tamošiūnas, 2024). B-Corporations embody a similar logic: they encode fiduciary responsibility to both investors and ecological stakeholders into their corporate statutes. Such organizations do not alternate codes; they aggregate them into co-decisional logics. A further configuration could be *reflexive cycling*, where organizations alternate between codes over time, according to context and audience. Universities may adopt the rhetoric of academic freedom and disinterested inquiry (science) during evaluation exercises, but pivot to entrepreneurial

language (economy) when applying for government grants. This model reflects temporal sequencing of functional orientation, allowing organizations to manage audience pluralism while maintaining internal coherence.

We can also imagine the fifth configuration—*symbolic compensation*—serving as a conceptual boundary marker. It describes cases where organizations simulate multifunctionality discursively or symbolically, often to satisfy legitimacy demands, while remaining effectively monofunctional in their structural operations. This might involve the use of multi-coded language in mission statements, participation in partnerships without governance adjustments, or compliance with formal certifications that are decoupled from core decision-making (cf. Bromley and Meyer, 2017). From a systems-theoretical perspective, such symbolic gestures indicate weak or non-operational structural coupling: the codes are present in language but not translated into the organization's own communicative core.

These configurations are not mutually exclusive, nor are they ideal types. Rather, they illustrate that multifunctionality is not a uniform condition but a structural necessity that organizations configure according to field dynamics, resource dependencies, and institutional histories. The key analytic point is that these configurations are not mere hybridizations of sectoral logics. They represent deep code-level reprogrammings of organizational identity, structure, and legitimacy. It is important to stress that different typologies could be constructed based on other criteria—such as stakeholder engagement, system dominance, temporal dynamics, or the level of internal conflict between codes. In fact, we encourage readers to consider additional variants. One provocative possibility worth noting is *code capture*—a failure mode in which one system (e.g., economic) comes to dominate and suppress others within the organization, even under the guise of multifunctionality. Such configurations may masquerade as integrative, but actually undermine the structural diversity upon which organizational viability depends.

3.3 Phase Three: Sector Blurring as Category Erosion

The final phase of our process model shifts focus from the internal adaptations of organizations to the external collapse of classificatory schemas. As we have shown, organizations facing functional turbulence increasingly reconfigure themselves as structurally multifunctional systems. When this adaptation reaches critical scale, its implications extend far beyond individual firms or agencies. It begins to unsettle the semantic infrastructure through which audiences interpret organizational identity. Sector blurring presents the most visible symptom of this shift: the progressive erosion of the distinctions between public, private, and nonprofit organizational categories—a meso-level consequence of macro-level turbulence and micro-level code coupling. It represents the moment at which the functional

adaptation of organizations outpaces the semantic classificatory tools society has used to make sense of them.

To understand this transformation, we must recall that sector categories are not ontological facts. They are semantic heuristics—shorthand devices that allow stakeholders, regulators, funders, and citizens to infer an organization's purpose, obligations, and governance structure without full inspection. These heuristics have historically functioned because most organizations were monofunctional: a ministry pursued political aims; a firm pursued profit; a nonprofit pursued mission. When that alignment held, legal form and sector label provided reliable indicators of internal code orientation. But multifunctionality breaks this alignment. As more organizations internalize multiple function system codes, the correlation between sector label and systemic orientation weakens. A firm may adopt legally binding environmental commitments, participate in political lobbying, and conduct peer-reviewed scientific research. A nonprofit may pursue commercial revenue, participate in public service delivery, and adopt managerialist governance. A public agency may contract out key functions, emulate private-sector efficiency metrics, and enter co-governance with nongovernmental organizations (NGOs). The label no longer predicts the code.

This transformation does not unfold gradually and uniformly. It follows a sequence of mechanisms through which semantic drift becomes institutionalized. We identify three such mechanisms, the first of which is *threshold diffusion*. What we mean here is when only a few organizations adopt multifunctional designs, they appear as hybrids, outliers, or innovators. Sector categories remain intact as a normative baseline. But as multifunctionality becomes widespread—diffusing across fields through isomorphic pressures, resource dependencies, and legitimacy strategies—sector boundaries begin to dissolve at the population level. This threshold effect is critical: once a tipping point is reached, audiences can no longer assume that sector labels offer predictive value. The heuristic breaks down. Notably, this diffusion occurs through diverse structural pathways (as detailed in Subsection 3.2): some organizations selectively couple to codes, others compartmentalize them, others synthesize or rotate them, and some perform them symbolically. This structural diversity accelerates diffusion because it makes code plurality appear omnipresent but unpredictable. Even organizations that do not structurally integrate new codes may be perceived as doing so. As a result, audiences lose confidence not only in legal form, but in what that form supposedly signifies.

The second mechanism of sector blurring is *semantic drift*. It indicates that as audience trust in sector categories wanes, language itself begins to shift. Descriptors once tied to specific sectors—"impact-driven", "entrepreneurial", "mission-oriented", "resilient", "transparent"—are now applied across the board (cf. Bromley and Santos, 2024). Public agencies are praised for innovation, firms for so-

cial value, nonprofits for efficiency. The old sectoral adjectives no longer attach exclusively to their canonical referents. This drift is further fueled by evaluative convergence. Accreditation bodies, media narratives, and professional associations develop standards that are trans-sectoral: ESG ratings, sustainability certifications, quality metrics, stakeholder indices. Organizations are increasingly grouped by function-specific outputs, not by sectoral lineage. In effect, a new vocabulary emerges—one that replaces sector as a basis of judgment with performance across relevant codes.

The third mechanism is *heuristic substitution*—this is what happens when, finally, and most decisively, audiences stop using sector categories as their primary classificatory frame. Instead, they adopt function-specific heuristics: Does the organization meet its science-based targets? Is it legally transparent? Is it publicly accountable? Does it engage stakeholders? These judgments are no longer organized by sector but by the specific code-logics that audiences deem relevant. This substitution is both cause and consequence of category erosion. As more evaluative decisions are made using code-specific heuristics, sector labels atrophy. They are not abolished, but become descriptively weak and operationally irrelevant. Regulatory regimes, funding mechanisms, and stakeholder expectations begin to mirror this drift, further reinforcing the substitution of sector semantics by code-based referentiality.

This process is not deliberate. No actor sets out to erase sectoral distinctions. The erosion unfolds through recursive misalignment: organizations become harder to classify, audiences adjust their heuristics, categories lose meaning, organizations become further decoupled from sectoral expectations. What we observe as "sector blurring" is thus the institutional surface of a deeper shift in the architecture of social meaning. What replaces sector labels is not chaos, but a new institutional order in which organizations are understood—and governed—according to the codes they structurally integrate, not the sectors they legally inhabit. Sector blurring thus emerges as a semantic signature of a broader transformation in the relationship between organizations and society under conditions of late-modern differentiation.

To consolidate the conceptual argument developed across this section, Table 1 summarizes the three-phase process model of sectoral erosion. It highlights the core condition at each phase, the organizational response it provokes, and the structural consequence that follows. By making visible the sequential logic—from functional turbulence, to organizational multifunctionality, to institutional category erosion—the table provides a synthetic overview of how late-modern differentiation reshapes the architecture of organizational identity and classification. It serves as a conceptual bridge between the theoretical framework and the broader implications explored in the discussion that follows.

4. Discussion

This section reflects on the broader implications of the argument. It begins by synthesizing the paper's core contributions, integrating insights from nonprofit studies, CSR, and systems theory. It then opens a wider epistemological horizon—interrogating potential limits and reversals, and posing critical questions about whether the rise of multifunctional organizations signals the intensification of functional differentiation or the beginning of its unraveling.

4.1 Contributions of the Argument

The first contribution of this paper lies in its fundamental conceptual reframing of sector blurring. Whereas prior literature has approached blurring predominantly through the lens of hybridity—emphasizing voluntary bricolage, boundary-spanning innovation, or isomorphic convergence—we offer a non-voluntaristic, systems-theoretical account. In our framework, the growing indistinctness of sectoral categories is not primarily driven by creative organizational agency. It is a meso-institutional consequence of widespread organizational multifunctionality—an adaptive response necessitated by the structural condition of functional turbulence. This reframing is anchored in a midrange process model that links macro-level dynamics (functional turbulence) to meso-level phenomena (semantic category erosion) via micro-level adaptations (organizational multifunctionality). Such a model illuminates why sector blurring intensifies across organizational fields, why it eludes neat typological closure, and why it cannot be resolved through improved classification, legal codification, or clearer organizational boundaries alone. The analytic shift is thus from boundary crossing (cf. Lewis, 2012) to category breakdown, from agency to structure, from hybridity to semantic drift.

The second contribution speaks directly to the field of nonprofit studies, where sector blurring has often been theorized in relation to nonprofits responding to shifting environmental pressures. In this tradition, Will et al. (2018, p. 1029) advanced the notion of multifunctionality as a lens for understanding the internal diversity of the nonprofit sector, highlighting how nonprofits negotiate demands from multiple function systems. Their work offered a counterbalance to the dominance of the economic and political systems, whose semantics have shaped prevailing notions such as "nonprofit" and "nongovernmental". Our model contextualizes this argument more broadly: it suggests that the diversity of functional referencing seen in nonprofits is not an exception, but an early signal of a broader institutional transformation. As function system codes become entangled, multifunctionality is no longer an anomaly of nonprofit life but a general condition—increasingly evident across the for-profit and public sectors as well. This erosion of sectoral semantics destabilizes the conceptual foundations on which nonprofit identity has traditionally rested. As philanthropic missions converge with revenue

Table 1. A process-theoretical model of sectoral erosion in functionally differentiated society.

Phase	Core condition	Organizational response	Structural consequences
1. Functional turbulence (macro-level)	Organizations face simultaneous, incompatible demands from multiple autonomous function systems (e.g., economic, legal, scientific)	No single system code offers sufficient guidance; organizations are exposed to cross-system expectations	Undermines mono-functional viability; initiates structural pressure toward organizational adaptation
2. Organizational multifunctionality (micro-level)	Organizations adapt to turbulence by structurally coupling to multiple function systems	Development of internal architectures that reflect code plurality (e.g., departments, metrics, hybrid governance forms)	Sectoral identities destabilize; multifunctionality becomes a widespread structural condition
3. Semantic category erosion (meso-level)	Widespread multifunctionality displaces the classificatory power of sector-based categories	Evaluation shifts from legal form to performance across diverse system codes (e.g., ESG, compliance, legitimacy)	Sector labels lose epistemic traction; classification moves toward code-based referentiality

ESG, environmental, social, and governance.

imperatives, and civic organizations adopt market-oriented practices, the nonprofit's distinctiveness becomes harder to maintain. Sectoral identity is no longer fixed but fluid, contextual, and polycontextural. The guiding question thus shifts: not "Are nonprofits different from for-profits?" but "How do organizations position themselves across multiple systems of functional expectation—and how does that positioning evolve under mounting complexity?" The nonprofit becomes not an ontological type, but a structural location within a broader ecology of multifunctional performance.

The third contribution of the proposed argument is to the CSR scholarship, which despite acknowledged affinities to the sector blurring literature (Child and Witesman, 2024; Bromley and Santos, 2024), still logically rests on the "three-sector" schema—public, private, nonprofit—emphasizing the for-profit nature of corporations engaged in it. While Roth et al. (2018) acknowledged the multifunctional underpinnings of CSR, we add that this acknowledgment ultimately erodes three "three-sector" schema on which the very concept is grounded. Just as this erosion may be seen to pose a challenge to the nonprofit identity in the nonprofit sector context, it may be seen to challenge the distinct moral element in CSR activities which are supposed to distinguish it from corporate business-as-usual. This reinterpretation of CSR is important because historically, CSR has been trapped between critique (as "greenwashing" or legitimacy theatre) and defense (as a moral imperative or competitive strategy) (cf. Jauernig and Valentinov, 2019). Our model offers an alternative framing: CSR is a symptom of structural code expansion. It reflects the growing necessity for organizations to institutionalize non-economic codes within their governance architectures—not to appear good, but to remain viable in a society where economic rationality is no longer sufficient to ensure license to operate. This reframe helps explain why some CSR efforts remain superficial (symbolic compensation) while others become structurally embedded (integrative synthesis). The key distinction is not moral sincerity but code operationalization.

The fourth contribution of our argument lies in its implications for public management and administration, particularly scholarship that interrogates the conceptual boundary between public and private sectors, beginning with Bozeman's (1987) foundational work. Our process model, grounded in systems theory, reframes sectoral erosion not as a by-product of governance design or policy reform, but as a structural outcome of expanding functional interdependence among autonomous social systems. Public organizations, in this light, no longer operate exclusively within a political or legal code; instead, they must navigate and institutionalize competing imperatives—economic efficiency, scientific rationality, legal compliance, and civic legitimacy—often simultaneously and under conditions of internal contradiction. This perspective extends debates on New Public Management (NPM) and its aftermath, as well as emerging approaches to robust governance (Ansell et al, 2023), by situating them within a broader theoretical account. The pressures described in these literatures stem not only from environmental volatility but from the semantic incompatibility of the codes public organizations must now integrate into their operations. By framing public organizations as structurally multifunctional—rather than merely hybrid—we invite public administration scholarship to move beyond traditional sectoral framings toward a theory of institutional identity grounded in code pluralism. This reorientation has significant implications for accountability, legitimacy, and the epistemology of public value (cf. Brackley, 2024), particularly in a context where formal sector labels no longer reliably predict internal logics of action.

The fifth contribution lies in extending Luhmannian systems theory from its traditional focus on organizations and function systems to a meso-institutional scale opening a novel window into the relationship of social structure and semantics, categories that, according to Luhmann can become mutually discrepant. We show how the accumulation of multifunctional practices destabilizes the semantic categories of sectors that once structured organizational fields.

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Drawing on Luhmann, we critique the "three-sector" model as a false distinction (Roth et al, 2025) that collapses under the structural weight of proliferating functional turbulence, thus proposing to understand false distinctions as semantic stabilizations that are undermined by the trend of growing organizational multifunctionality.

While Luhmannian scholars recognize that organizations must be structurally coupled to their environments to remain viable, we scale this insight upward: showing how thousands of such micro-couplings can accumulate into meso-level semantic drift. This drift is shaped by the complexity–sustainability trade-off (Valentinov, 2014) and the growing pluralism of function system codes, which together reveal the limits of sectoral classification. Sector labels offer a monofunctional shorthand—a convenient but ultimately risky strategy for reducing complexity. By anchoring identity in a single system code, organizations risk becoming blind to emergent complexities they neither register nor address. In our view, organizations do not choose hybridity; they inherit multifunctionality as an adaptive baseline. This compels them to engage in reflexive identity work, selectively invoking sectoral language—"social enterprise", "public value", "ethical business"—to align with diverse, and often conflicting, audience expectations.

These theoretical contributions also yield practical implications. Regulators, for instance, must shift from sector-based oversight to function-based diagnostics. Traditional models of regulation presume that knowing an organization's legal form tells us something about what it does. But under functional turbulence, legal form is a weak proxy. Boards and executives should consider deploying "code dashboards"—tools for visualizing the organization's coupling to various systems, and for diagnosing blind spots before they generate crises. Funders and policymakers must abandon the assumption that form determines function. Training programs should focus on polycode governance, preparing leaders to navigate epistemic conflict, legal ambiguity, and stakeholder multiplicity.

4.2 The Epistemic Horizon of Functional Differentiation

The erosion of sector categories, as we have argued, signals the emergence of a new kind of institutional ordering—one organized not around sectoral distinctions, but around the code architectures that organizations construct in response to increasingly polycontextural environments. This emergent order is likely to be fluid, overlapping, and internally diverse. It may resist typological closure and defy conventional classification—but in doing so, it may prove more adaptive to the complexity of contemporary society. This transformation also opens new lines of inquiry: Under what conditions do alternative classificatory regimes arise to replace eroded ones? Can function-specific indicators achieve sufficient cognitive closure to serve as the next "sectoral" heuristics? How do legitimacy crises differ between organizations exhibiting symbolic versus substantive multifunctionality? And to what extent can code coupling be externally observed and verified—or does polycontexturality generate new forms of strategic opacity?

These questions, however, also compel a more fundamental line of reflection: Might the rise of multifunctional organizations signify not merely a transformation within functional differentiation, but a reversal of it? Could the proliferation of organizations enacting multiple function system logics mark a return to pre-modern institutional forms—akin to the undifferentiated medieval Church? Might we be witnessing an incipient de-differentiation, a structural retreat from the epistemic gains of modernity? At first glance, the structural parallel is indeed compelling. Pre-modern institutions, such as the Church or the absolutist state, operated through unitary logics that fused religious, political, legal, and epistemic authority. From this vantage point, the emergence of organizations that simultaneously perform scientific, economic, ethical, and political functions—platform conglomerates, philanthropic foundations, activist universities—might appear as a structural retrogression: the Church 2.0.

However, this analogy, while intuitively seductive, misconstrues what systems theory reveals about modern multifunctionality. Contemporary multifunctional organizations do not operate within a fused code that collapses distinctions. Rather, they are embedded in an environment composed of coexisting, operationally autonomous function systems. The modern firm or university is not an undifferentiated entity in the pre-modern sense; it is a polycontextural nexus—a structurally coupled node that interfaces with distinct codes (legal, economic, scientific, political) without resolving them into a singular rationale. In this sense, multifunctionality is not a symptom of de-differentiation but of over-differentiation: it arises precisely because no single function system suffices to orient organizational action under conditions of functional turbulence.

Yet this distinction must not obscure the risks. Žažar and Roth (2025) illustrate how the political or economic instrumentalization of science can amount to a form of organizational corruption (cf. Statunato, 2022). Their argument underscores how multifunctionality, when mismanaged, may degenerate into functional disorientation—a pathological state in which an organization, overburdened by heterogeneous imperatives, loses clarity of purpose. Not all code coupling is benign; the boundary between adaptive integration and corrosive incoherence is perilously thin. The researcher-turned-fundraiser-activist-journalist, to borrow Žažar and Roth's (2025, p. 708) vivid example, may not be a symbol of agility, but a casualty of semantic overextension. We must accordingly recognize that not all forms of multifunctionality are equal. The process model developed here distinguishes between configurations such as integrative synthesis and symbolic compensation, while cautioning against code capture as a functional pathology masquerading as complexity.

Do such auto-destructive tendencies amount to de-differentiation tout court? Not necessarily. They are better understood as organizational crises within a differentiated society—a failure to navigate polycontexturality, not a structural reversion to monological forms. These are not re-feudalizations, but refractions of modernity's own contradictions. Over-identification with a single dominant code may distort an organization's mission, but it does not undo the differentiation of function systems at the societal level. The systemic architecture remains intact; what falters is the organization's capacity to mediate among divergent demands. In sum, multifunctional organizations are not pre-modern throwbacks, but precarious artifacts of late-modern complexity. Their rise signals not the collapse of differentiation, but its intensification—and its strain. The more organizations must host multiple codes, the more they risk fragmentation, misrecognition, or legitimacy fatigue. The future of functional differentiation may hinge not on preserving sectoral categories, but on whether organizations can evolve internal architectures capable of holding plurality without dissolving into incoherence.

5. Conclusion

In the shifting landscape of modern institutional life, the lines that once demarcated sectors no longer hold. Our core thesis is that sector blurring is a consequence of a more fundamental condition—functional turbulence—and the organizational adaptation it compels, multifunctionality. By locating sector blurring within the structural dynamics of functional differentiation, we offer a new way to understand how categories erode, institutions adapt, and organizations survive in a functionally turbulent society. The collapse of sectoral distinctions is not driven by policy convergence or the moral ambition of hybrid actors. It is driven by the fact that society itself no longer produces problems that can be solved within a single functional frame. In such a world, mono-coded organizations cannot survive. And when multifunctional organizations become the norm, the semantic scaffolding we have long used to classify them begins to collapse.

This is a radical message, though it may not at first appear so. It does not call for revolution, nor does it posit normative alternatives. But it fundamentally challenges the cognitive and institutional assumptions that structure how we think about organizations, how we evaluate their legitimacy, and how we design systems of accountability. If organizations are no longer best understood by the sectors they occupy, then our most basic social categories—"public", "private", "nonprofit"—are epistemologically exhausted. And so too are many of the regulatory, scholarly, and managerial tools built upon them.

The implications are far-reaching. This shift compels us to rethink how we study organizations—not as objects situated in sectors, but as polycontextural entities whose viability depends on their capacity to navigate multiple, conflicting system logics. It challenges practitioners to build governance architectures that are not merely cross-sectoral but code-aware, capable of adjudicating among legal, economic, and epistemic demands without reducing one to the other. And it invites scholars to explore new forms of classification that do not seek to restore old categories but to trace the emergent logics of institutional ordering in an increasingly differentiated world.

We are, in other words, at the threshold of a conceptual transition. As functional differentiation continues to shape the texture of modernity, and as organizations become the connective tissue among its fragmented systems, the way we speak about institutions must evolve. The sector may no longer be the grammar of organizational life. What comes next may not be a new sector, but a new language—one capable of naming the architectures of complexity that organizations must now embody.

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