This paper aims to capture how laypeople understand the nonprofit sector. The authors are especially interested in whether nonspecialists consider nonprofit to be a "third sector" distinct from business and government, as well as the entities and activities that are deemed "nonprofit." The authors gathered data using a survey that provided 96 interaction statements and asked participants to describe those interactions as (i) business, (ii) government, (iii) a mix of business and government, or (iv) different from business or government. The authors used the Institutional Grammar to identify how the different syntactic components influence how survey participants classified the statements.

**Action and Aim > Actor**

For each interaction statement, the authors calculated the probability that a change in one of the syntactic components (actor, action, recipient, aim) would change whether the interaction was labeled as nonprofit. For example, participants were less likely to label interaction statements as nonprofit if they involved selling rather than donating. The authors found that changes in a statement’s actions or aims were more likely to change how survey participants labeled an interaction than changes to the actor. This results in lay definitions of "nonprofit" that diverge from scholarly or expert conceptions of the sector.

**The Importance of Everyday Understandings of "Nonprofit"**

Differences from specialist perspectives notwithstanding, the authors find that laypeople do indeed view nonprofit as a distinct "third sector." Lay definitions of nonprofit have many important implications for how the nonprofit sector operates. They inform how nonspecialists engage with nonprofit entities, what they consider "appropriate" activities for nonprofits, and the importance that they assign to nonprofit work.


*This Research Case represents an interpretation of the original scholarship which was reviewed and approved by the original author(s).*