



# Navigating Institutional Plurality: Organizational Governance in Hybrid Organizations

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## Abstract

Hybrid organizations operate in a context of institutional plurality and enact elements of multiple, often conflicting institutional logics. Governance is highly relevant in navigating such an environment. This study examines how hybrid organizations set up their governance structures and practices. Building on survey data from 70 social enterprises, a subset of hybrid organizations, we identify two types of hybrid organization: conforming hybrids rely on the prioritization of a single institutional logic and dissenting hybrids use defiance, selective coupling and innovation as mechanisms to combine and balance the prescriptions of several institutional logics. We illustrate these mechanisms by drawing on the qualitative analysis of selected cases. This study refines current debates on social enterprises as hybrid organizations. Based on our findings, we speculate that some social enterprises might assume hybridity for symbolic reasons while others – genuine hybrids – do so for substantive reasons.

## Keywords

governance, hybrid organization, institutional logic, institutional plurality, mechanism, social enterprises

## Introduction

Hybrid organizations are intensely discussed among practitioners and policy makers in the public, private and social sectors (*Economist*, 2009; Strom, 2010) and have received growing attention from researchers, particularly organizational scholars (Battilana & Dorado, 2010; Jay, 2012;

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Pache & Santos, 2013). While hybrid organizations are widely assumed to be more prevalent today than in the past (Battilana, Lee, Walker, & Dorsey, 2012), the definitions of what constitutes a hybrid vary. However, most agree that hybrid organizations (1) involve a variety of stakeholders, (2) pursue multiple and often conflicting goals and (3) engage in divergent or inconsistent activities (Anheier & Krlev, 2014; Besharov & Smith, 2014). Hybrid organizations do not fit neatly into established categories of organizational forms, sectors or institutional domains (Powell, 1987). Instead, they seem to explicitly endorse multiple institutional logics, understood as 'socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules' (Thornton & Ocasio, 1999, p. 804). Recently, institutional plurality, where multiple institutional logics are at play, has been promoted as an important perspective from which to study hybrid organizations (Besharov & Smith, 2014; Kraatz & Block, 2008). However, how hybrid organizations select, prioritize and integrate plural institutional logics is less well understood (Kraatz & Block, 2008). In particular, the role of and implications for organizational governance – the systems and processes by which organizations are directed, controlled and held accountable (Cornforth, 2003) – have long escaped scholarly attention. This paper addresses this lack of understanding and asks whether and how hybrid organizations combine multiple institutional logics, focusing particularly on organizational governance.

Given the scant theoretical basis for understanding how multiple institutional logics can coexist and are balanced at the organizational level (Besharov & Smith, 2014), we adopt an explorative research design and use empirical findings to build rather than test theory. Our empirical efforts centre on social enterprises, which are widely recognized as hybrid organizations (Battilana & Lee, 2014; Billis, 2010; Jäger & Schröer, 2013). Social enterprises provide goods or services (or both) to solve social problems not tackled effectively by existing organizations (Mair & Marti, 2006; Seelos & Mair, 2005). We use organizational governance as our focal lens and empirical window to examine whether and how social enterprises combine and balance prescriptions from commercial and social welfare logic (Ebrahim, Battilana, & Mair, 2014).

We conducted a survey based on 70 social enterprises and, as a first step, compared governance practices *in use* across organizations. Relating governance practices more explicitly to institutional logics *at play* reveals theoretically meaningful distinctions of our sample organizations. We find that social enterprises that identify strongly with one of the two institutional logics – either commercial or social welfare logic – adopt its prescriptions on governance. We label these social enterprises 'conforming hybrids'. In contrast, social enterprises that do not strongly identify with one of these logics defy or selectively couple elements prescribed by both logics or innovate by adopting new governance practices not prescribed by the commercial or social welfare logic. We label these social enterprises 'dissenting hybrids'. In a second step, we conducted an analysis of secondary data gathered on conforming and dissenting organizations in our sample to complement our quantitative analysis and illustrate these mechanisms *at play*.

Our findings advance research on institutional plurality inside organizations. First, we contribute to the existing literature on hybrid organizations by showing *how* governance can provide an important organizational mechanism for successfully and continuously balancing and combining multiple logics (Reay & Hinings, 2009). We integrate sector-specific with mechanism-based approaches (Seibel, 2015) to empirically examine hybridity at an organizational level. Second, we provide insights for research on social enterprises as examples of hybrid organizations (Battilana & Lee, 2014). Our study provides additional evidence for the claim that social enterprises do not exhibit a uniform way of organizing (Mair, Battilana, & Cardenas, 2012), nor do they constitute a homogeneous population (Galaskiewicz & Barringer, 2012). Our findings suggest that

conforming hybrids might assume hybridity for symbolic reasons to expand the scope of their external legitimacy, while dissenting hybrids might adopt hybridity for substantive reasons.

The next section reviews the theoretical background on institutional plurality in the context of social entrepreneurship and on organizational governance. The third section reports on our data, sample and method. The fourth section presents our empirical results. Our discussion section elaborates on the conceptual and theoretical insights derived from our empirical findings and relates them to current theoretical discussions on hybrid organizations and institutional plurality. The final section elaborates on this study's limitations and presents opportunities for future research.

## Theoretical Background

Scholars suggest that hybrid organizations are a temporary and/or unstable phenomenon, since they are particularly prevalent in transition or unsettled fields (Powell, Oberg, Korff, Oelberger, & Kloos, 2014), where actors, as carriers of potentially conflicting logics, may pursue different or competing goals, fostering conflict and contestation (Heimer, 1999). This study follows the thread of scholars who have started to emphasize the coexistence of plural logics as being a more permanent phenomenon (Besharov & Smith, 2014; Mair & Hehenberger, 2014). They emphasize the potentially positive aspects of institutional plurality (Kraatz & Block, 2008; Powell et al., 2014). These scholars suggest that operating in institutional interstices and combining multiple logics (i.e. considering and adhering to multiple prescriptions) might open up opportunities, as organizations can access broader sets of resources and expand their practices, which allows them to be innovative, to create new products and services and to pioneer new ways of organizing (Meyer & Rowan, 1977; O'Mahony & Bechky, 2008; Reay & Hinings, 2009; Stark, 2009).

### *Social enterprises as hybrid organizations*

Social entrepreneurship and social enterprises have attracted increasing attention from scholars interested in institutional processes and outcomes (DiDomenico, Tracey, & Haugh, 2009; Mair & Marti, 2006, 2009; Seelos, Mair, Battilana and Dacin, 2011; Tracey, Phillips, & Jarvis, 2011). Social enterprises have been portrayed as navigating distinct institutional domains and logics (Mair et al., 2012). In particular, scholars argue that social enterprises adhere to both the commercial and social welfare logic in their goals and activities toward the stakeholders to whom they are accountable (Ebrahim et al., 2014; Galaskiewicz & Barringer, 2012; Pache & Santos, 2013). In a stylized way, 'pure type' organizations aligned with a commercial logic offer goods or services to obtain a financial return to serve the shareholder as their major stakeholder group. In contrast, organizations aligned with social welfare logic<sup>1</sup> address a social need or problem and prioritize their beneficiaries, who are often disadvantaged or marginalized, as their dominant stakeholder group. Social enterprises' activities and actions typically embody prescriptions of both logics (Pache & Santos, 2013), in pursuing a social goal prescribed by social welfare logic but departing from typical social welfare approaches that rely heavily on subsidies by focusing on their own income strategies following prescriptions of commercial logic.

The context of institutional plurality in which social enterprises operate creates ambiguity about incentives and value dispositions in performance measures and involves accountability to a diverse array of stakeholders (Achleitner, Heinecke, Mayer, Noble, & Schöning, 2012; Anheier & Krlev, 2014; Townsend & Hart, 2008). Adhering to prescriptions from different logics without drifting too much toward a particular logic is challenging and jeopardizes the legitimacy expected from a group of stakeholders (Ebrahim et al., 2014). Social enterprises therefore provide an interesting setting for studying hybrids, particularly regarding governance issues (Battilana & Lee, 2014).

Early research on social enterprises highlighted the advantages involved in addressing some of the most stubborn social problems through entrepreneurship and thereby creating social and economic value (Austin, Stevenson, & Wei-Skillern, 2006; Dees, 2001). This highly motivational stream of research has recognized but not problematized the challenges involved in simultaneously pursuing dual goals, such as social and financial returns. More recently, researchers have emphasized the difficulties involved in combining logics and stressed that the simultaneous enactment of multiple logics is 'something that must be accomplished rather than something that just is' (Child, 2012, p. 185). Combining logics might expose social enterprises to conflicting demands from their environment and can create tensions internally because satisfying institutional demands from one side might require violating others (Pache & Santos, 2010). In sum, while studies have highlighted the challenges and detrimental consequences of attempting to combine multiple and potentially conflicting logics (Battilana & Dorado, 2010; Jay, 2012; Pache & Santos, 2010, 2013), they have not systematically and empirically investigated the role of organizational governance in that respect. Governing processes and practices, however, play a crucial role in recognizing and defining multiple objectives and in attending to the needs and demands of various stakeholders, and thereby in balancing the prescriptions of conflicting logics.

### *The role of governance and governing boards in studying hybrids*

From an organizational perspective, governance refers to all mechanisms within an organization that broadly determine how organizational resources are used to move the organization forward and resolve conflicts between its various stakeholders (Daily, Dalton, & Cannella, 2003). Thus, organizational governance is concerned with strategic (providing direction) and controlling (monitoring and ensuring accountability) functions, as well as managing relationships (Low, 2011; Monks & Minow, 1995; Zahra & Pearce, 1989). Scholars studying hybrid organizations and institutions perceive the role of organizational governance and especially governing boards as crucial in balancing prescriptions from distinct institutional logics (Bacq, Janssen, & Kickul, 2011; Spear, Cornforth, & Aiken, 2009). Focusing on governance allows us (1) to empirically examine the balancing of institutional logics as exemplified in providing strategic direction and adhering to stakeholders' interests and (2) to uncover novel governance approaches and practices that could result from the combination and balancing of logics (Westenholz, Pedersen, & Dobbin, 2006). However, we still lack empirical evidence and a systematic account of governance practices employed by hybrid organizations in this respect.

Governance is important in a context of institutional plurality because it protects hybrids from the risks and pressures of the demands of multiple and logically distinct stakeholders, which are translated into and expressed by multiple organizational goals. The existence of multiple goals evokes ambiguity in performance measurement criteria, which may in turn lead to a legitimacy deficit of hybrid organizations as perceived by external evaluators (Zuckerman, 1999). Governance as a means to foster legitimacy may reduce such a deficit and act as a valuable signal for external stakeholders (Townsend & Hart, 2008).

Scholars acknowledge the importance of governance in settings of institutional plurality (Fligstein, 1991) but predominantly examine it from a macro perspective (Westenholz et al., 2006). Although such research is important for understanding the context in which hybrids operate (Cornforth, 2012), we argue that, at the micro level, governance is vital for understanding *how* hybrids operate.

We analyse attributes and practices of governing boards of hybrid organizations, which carry out important fiduciary and oversight functions (Ben Ner & Van Hooissen, 1994; Cornforth,

2012) and make critical strategic and organizational decisions (Low, 2006). Governing boards are the most widely researched governance mechanism for organizations in the business and social sectors (Coombes, Morris, Allen, & Webb, 2011; Cornforth, 2012). Paralleling the legal distinction between for-profit organizations populating the business sector and nonprofit organizations populating the social sector, the literature on governance and on the structure and practices of governing boards has evolved along dual tracks (Herman & Van Til, 1985; Hung, 1998).<sup>2</sup> Both streams emphasize three essential features of governing boards – board membership, board size and board influence – but the descriptions and prescriptions derived from empirical and theoretical research differ. We briefly summarize these findings.

The overriding goal of governance in for-profit organizations is to maximize financial returns to increase value for shareholders who own them and constitute the dominant stakeholder group. While perspectives that push for more attention toward multiple stakeholders have gained momentum (Freeman, 1984), from a stylized angle the primary task of for-profit organizations' governing boards is still perceived as acting as an agent of shareholders (Eisenhardt, 1989). Shareholders are legally entitled to participate on boards (Low, 2006) and their dominance is evident in terms of *board membership* (Lerner, 1995). In terms of *board size*, we see that for-profit organizations benefit from rather small boards for two important reasons: smaller boards discourage free-riding of board members (Forbes & Milliken, 1999; Van den Berghe & Levrau, 2004) and constrain the ability of the chief executive to dominate the board (Eisenberg, Sundgren, & Wells, 1998; Yermack, 1996). *Board influence* is rather high, so the board can control the management team to ensure they act in accordance with shareholders' interests (Byrd & Hickman, 1992).

Nonprofit organizations aim to fulfil a social mission to benefit a specific target group, which constitutes the dominant stakeholder (Cornforth & Spear, 2010; Low, 2006). A nonprofit organization's assets are locked in and are theoretically owned by the community they serve (Pearce, 2003). Therefore, governance in nonprofit organizations is often related to a democratic model (Low, 2006) where the principal role of boards is the representation of the interests of various stakeholder groups (Cornforth, 2003; Iecovich, 2005). Although stakeholders of nonprofit organizations are not legally entitled to participate in governing boards (Low, 2006), *board membership* should cover a broad array of stakeholders, such as the target group, community members and volunteers (Oster, 1995; Spear et al., 2009). Regarding *board size*, nonprofit organizations benefit from rather large boards for three main reasons: additional knowledge and contacts, stakeholder representation and funding provided by board members (Forbes & Milliken, 1999; O'Regan & Oster, 2005; Olson, 2000; Ruvinsky, 2005). *Board influence* is assumed to be of minor relevance because the nonprofit form is itself often considered assurance for compliance with previously agreed goals due to the non-distribution constraint that accompanies a nonprofit model (Hansmann, 1980; Witesman & Fernandez, 2013).

In sum, according to the literature, for-profit organizations operating in the business sector differ substantially from nonprofit organizations operating in the social sector in terms of board membership, size and influence. How do hybrid organizations that straddle these established categories and combine multiple institutional logics organize and approach governance?

Despite research on how board attributes and practices are shaped by institutional context (Golden-Biddle & Rao, 1997), we still know little about the governance (especially governing boards) of hybrid organizations, that is, logically plural organizations from an institutional perspective. What specific governance practices do social enterprises, an example of hybrid organizations, employ? Do social enterprises adopt uniform organizational governance approaches? How do these practices and approaches relate to the institutional logics the organizations attempt to combine and balance? The answers to these empirical questions will allow us to develop a

fine-grained understanding of how hybrid organizations navigate institutional plurality and the role of governance in this endeavour.

## Empirical Analysis

### *Sample selection and method*

Our empirical analysis comprises two steps. The first goes beyond case-based research (Jay, 2012; Pache & Santos, 2013) and analyses 70 social enterprises by means of a survey. Conducting research on a larger sample is challenging, as is widely acknowledged, and legal markers of what constitutes a social enterprise are lacking (Short, Moss, & Lumpkin, 2009). Our second step expands on emerging findings through a qualitative content analysis of secondary data on organizational cases that allow us to draw deeper insights and illustrate the mechanisms in more detail (Eisenhardt, 1989).

In line with empirical studies and suggestions from the literature (Lee & Battilana, 2013), we focus on organizations labelling themselves social enterprises (Spear et al., 2009) that are recognized and socially legitimized as such (Nicholls, 2010). Social legitimization often results from the endorsement by resourceful organizations that proactively support social enterprises. While not ideal, a population of social enterprises affiliated to such an organization is recognized as an appropriate sample to advance empirical research (Lee & Battilana, 2013; Mair et al., 2012). We use a sample of social enterprises affiliated to the Schwab Foundation, for several reasons. First, similar to other support organizations, such as Ashoka or Echoing Green, the Schwab Foundation adopts a diligent five-step process that includes reviews from outside experts to identify and select social enterprises commonly perceived as successful (Mair et al., 2012). Second, and in contrast to the support organizations just mentioned, the Schwab Foundation puts less emphasis on the social entrepreneur as an individual but recognizes efforts to build and grow organizations (Mair et al., 2012). This matters for this study because the organizations selected are typically at a mature stage (Mair et al., 2012) and therefore more likely to have a deliberate governance approach.

Building on existing research, preliminary interviews and previous exposure to the topic, we developed a survey that captures governance approaches, particularly governing via boards, and included questions on board membership, size and influence (decisions requiring board approval). We pre-tested the survey with a social entrepreneur and an academic to detect potential misunderstandings. Minor changes were made to the survey after the pre-test. After a preliminary question regarding the organization's current governance structure, the questionnaire entailed two main sections: (1) questions on the reasons for setting up a governing board and its structure and (2) questions on the forms of interactions with their board. The questionnaire included 18 questions.

Jointly with the Schwab Foundation, we administered the survey in 2011. We sent it out to the entire community of Schwab Fellows (169 social enterprises) and received 70 responses, a response rate of 41%. The social enterprises in our sample are, on average, 17.16 years old (median = 17.00) and have a mean annual budget of US\$7.78 million (median = \$3.45m) and earned revenues of 54% (median = 45%) (see Table 1).

We measured the survey variables using categorical or interval survey items. For *board membership*, participants were asked to indicate whether financial resource providers or the target group are represented on their boards. Involving financial resource providers signals upward accountability, in line with the dominant logic in governing for-profit business firms, while involving representatives of the target group signals downward accountability, prevalent in governing charitable nonprofit organizations (Ebrahim, 2003; Ebrahim et al., 2014). The variable *board size* was assessed by asking for the number of board members who are performing a supervisory

**Table I.** Descriptive sample characteristics.

	Age			Annual budget (US\$ millions)			Percentage earned revenue					
	Obs.	Mean	Median	Std. Dev.	Obs.	Mean	Median	Std. Dev.	Obs.	Mean	Median	Std. Dev.
Panel A: Total sample	70	17.16	17.00	9.44	59	7.78	3.45	12.1	55	54%	45%	35.43
Panel B: By category												
For-Profit	22	16.09	16.50	10.85	17	12.99	5.10	19.70	16	82%	99%	29.51
Intermediate	36	18.28	18.00	8.79	33	6.23	4.10	6.20	31	49%	41%	30.45
Nonprofit	12	15.75	14.00	8.96	9	3.64	0.97	6.97	8	14%	12%	9.38

Sample based on a survey of fellows of the Schwab Foundation for Social Entrepreneurship undertaken in 2011. Panel A: selective characteristics for the 70 social enterprises in our sample. Panel B: selective descriptive statistics for the sample differentiated by the categories into which the social enterprises self-select.

function. To assess *board influence*, participants were asked about their board's involvement in approving decisions in seven areas. The board influence variables this paper presents are measured by summated scales based on the raw categorical data. We condensed the seven areas into three overall decision-making clusters: strategic decisions (decisions on investment, strategy and use of surplus/profits), financial decisions (decisions on annual budget and financial statements) and human resource decisions (decisions on retirement/succession and salaries/bonuses).

In a second step, we conducted a qualitative analysis of organizational cases representative of the types of hybrids – conforming and dissenting – identified in the survey. Starting from the list of 70 organizations that participated in the survey, we purposefully sampled the organizational cases according to their potential to probe more deeply into the mechanisms uncovered by the analysis of survey data. Criteria for including organizations in our qualitative analysis included first, the availability and reliability of data, and second, the representativeness for overall sample and diversity of issue domains. We took into account the availability of secondary data (publications on the organizations and by the organizations, websites of the organizations) and further ensured reliability of secondary data as one of the authors has followed and interacted with the chosen organizations over the last 10 years. We chose to analyse in depth one organization for each type of conforming hybrid (conforming to a social welfare and to a commercial logic) and selected three organizations representing dissenting hybrids – in theory the most interesting type of hybrid – and representing three different issue domains (technology, microfinance and integration). This sampling strategy also reflects the distribution of hybrid types in our overall sample, allowing us to substantiate mechanisms and to develop more robust insights for research at the nexus of governance and hybridity. Short descriptions of the organizations and data sources used for qualitative analysis can be found in Table 2.

We collected more than 500 pages of secondary data, including webpages, annual reports, communications, press reports and case studies. An independent research associate analysed these data based on the analytical categories used in the survey phase (structural features and governing practices). One of the authors and this researcher probed emerging insights from the analysis of survey data – in particular, the mechanisms underpinning conformance with and dissent from institutional logics – with evidence gathered from content analysis. The research team discussed and further refined the result of this analysis – narratives on organizational governance on all five organizational cases – in order to detect and eliminate potential discrepancies in our theoretical and empirical claims. This additional analytical step allowed us to examine a broader set of governance processes and practices and to assess organizational governance more broadly – with a focus on governing boards, but not restricted to formal practices at the board level.

### *Empirical results*

In a first step we examined the governance attributes and practices employed by our sample of social enterprises to identify governance patterns across organizations. Our analysis of board membership, size and influence did not reveal a homogeneous approach to organizational governance (see Table 3). We could not detect a specific pattern of board membership in our data and, instead, a heterogeneous picture across organizations emerged: 46% of the organizations in our database included neither financial resource providers nor representatives of their target group as board members, 14% included both groups, 23% included only financial resource providers and 14% only representatives of the target group. The average board size of social enterprises in our sample is 6.91 (median = 5.5), with a standard deviation of 4.18, implying high variance within our sample. Regarding influence, boards are involved, on average, in 69% of strategic decisions and 73% of financial decisions and have approval rights on 43% of human resource decisions. While a

**Table 2.** Case descriptions and data.

Type of hybrid	Conforming hybrid	Dissenting hybrids	Conforming hybrid
<b>Organizational case</b>	<b>PATH</b>	<b>Benetech</b>	<b>Homeless World Cup</b>
<b>Issue domain</b>	Health	Technology	Integration
<b>Description</b>	<ul style="list-style-type: none"> <li>Nonprofit organization that aims to improve people's health around the world by advancing vaccines, devices, diagnostics, drugs, and system and service innovations</li> <li>Labels itself explicitly as nonprofit organization</li> <li>Founded 1977 as Program for the Introduction and Adaptation of Contraceptive Technology (PIACT)</li> </ul>	<ul style="list-style-type: none"> <li>Nonprofit technology organization that develops innovative technology applications for unmet social needs (e.g. reading machines for the blind)</li> <li>Labels itself as a different kind of technology organization and a different kind of nonprofit organization</li> <li>Founded in 1989 as a nonprofit spin-off from the venture capital-backed tech company, Calera Recognition Systems</li> </ul>	<ul style="list-style-type: none"> <li>Network organization (foundation) that coordinates 70 for-profit and not-for-profit organizations fostering grassroots football programmes and social enterprise development, and organizes an annual tournament that unites teams of homeless people</li> <li>Does not make explicit claims about its organizational form</li> <li>Founded in 2001 as an initiative to address homelessness</li> </ul>
		<b>Microfinance</b>	<b>Environment</b>
		<ul style="list-style-type: none"> <li>Microfinance organization that developed from an NGO into a for-profit company, obtained a banking licence in 2006 and made its initial public offering (IPO) in 2007</li> <li>Labels itself as being more than a microfinance organization</li> <li>Founded in 1990 as an NGO in microfinance</li> </ul>	<ul style="list-style-type: none"> <li>For-profit bottled water company that invests all profits into Water Aid, a nonprofit organization advancing safe water, improved hygiene and sanitation through advocacy and technology</li> <li>Markets itself as ethical business</li> <li>Founded in 2004 as environmentally sustainable bottled water company</li> </ul>

(Continued)

**Table 2.** (Continued)

Type of hybrid	Conforming hybrid	Dissenting hybrids	Conforming hybrid
	<ul style="list-style-type: none"> <li>• Set up by three researchers active in contraceptive research and international family planning</li> <li>• Initially financed with seed money from foundation and government funding</li> <li>• Board operating as nonprofit board</li> </ul>	<ul style="list-style-type: none"> <li>• Founded by a technology engineer</li> <li>• Initially financed through trade credit</li> <li>• Board operating as integrated board: variety of members with for-profit and not-for-profit background</li> </ul>	<ul style="list-style-type: none"> <li>• Founders with background in journalism and social entrepreneurship (street newspapers)</li> <li>• Initially financed through sponsoring and fundraising</li> <li>• Same board holding separate meetings: as board of for-profit entity and not-for-profit entity</li> </ul>
<b>Webpage</b>	<a href="http://www.path.org">www.path.org</a>	<a href="http://www.benetech.org">www.benetech.org</a>	<a href="http://www.belu.org">www.belu.org</a>
<b>Further secondary data</b>	PATH publications (About PATH, 2012; Bringing new health technologies within reach for everyone, 2009)	Fruchterman (2008, 2011); Benetech blog; Benetech publications and talks (available on webpage)	Impact reports (Belu Water, 2013, 2014); news coverage (Reuters, 2013), <i>Telegraph</i> , BBC Radio)

**Table 3.** Governance structure and functions.

Panel A: Board members	Obs.	# (Yes)	% (Yes)
Financial resource providers	68	26	38%
Target group	68	20	29%
Panel B: Board size	Obs.	Mean	Std. Dev.
Number of board members	64	6.91	4.18
Panel C: Decision approval	Obs.	Mean	Std. Dev.
Strategic decisions <sup>1</sup>	65	0.69	0.30
Financial decisions <sup>2</sup>	65	0.73	0.34
Human resource decisions <sup>3</sup>	65	0.43	0.43

Descriptive statistics on board membership, board size and decision approval rights granted to board members of social enterprises, based on a survey of 70 fellows of the Schwab Foundation for Social Entrepreneurship undertaken in 2011.

<sup>1</sup>Decisions on investment, strategy and use of surplus/profits. <sup>2</sup>Decisions on annual budget and financial statements.

<sup>3</sup>Decisions on retirement/succession and salaries/bonuses.

majority of boards have influence in strategic and financial decisions, we find that only a minority of social enterprises grants decision-making power over human resources to their boards and, again, no homogeneous governance pattern emerges.

We assessed the influence of characteristics such as annual budget, percentage earned revenue and age as possible drivers of specific governance approaches to unpack the variance in our data. We tested for the influence of these variables using logistic regressions or Spearman correlations, but these controls do not seem to strongly drive board attributes or practices. Annual budget is related to board size (social enterprises with higher annual budgets have larger boards,  $p < 0.1$ ) and board influence in financial decisions (social enterprises with higher annual budgets are more likely to approve decisions in financial matters,  $p < 0.05$ ). Percentage earned revenue and age are not correlated with any of the above.

Next, we examined the relation between board attributes and practices and identification with institutional logics, aided by our research design, focusing on Schwab Fellows as our population of social enterprises. Once selected, the Schwab Fellows were asked to classify themselves into one of three categories: for-profit, intermediate, or nonprofit.<sup>3</sup> The for-profit category description indicates an association with the commercial logic by referring to the generation of own revenues to obtain profits to fund expansion and by highlighting investors seeking to obtain a certain financial return in addition to social impact. The intermediate category is described as a combination of several legal entities, financed via cost recovery through income generation and via public and philanthropic funding sources, a combination of commercial and social welfare logic. Social enterprises identifying with the nonprofit category are described as applying principles associated with social welfare logic: they reinvest their profits fully and, hence, are financed solely by philanthropic investors who expect no financial return. The self-categorization allows us to capture a social enterprise's explicit affinity with a specific institutional logic and therefore to empirically assess the relationship between organizational governance and identification with institutional logics.

Overall, 31% of our sample social enterprises identify with the for-profit category ( $N = 22$ ), 51% identify with the intermediate category ( $N = 36$ ) and 17% self-select into the nonprofit category ( $N = 12$ ). The entire Schwab Foundation community of 169 social enterprises consists of 28% of the first category, 50% of the second and 21% of the third. The distribution of the three categories within our subsample of 70 social enterprises therefore corresponds to the full-sample distribution.

**Table 4.** Governance structure and functions by self-selected category.

Panel A: Board members	Obs.	Financial resource providers			Target group			Fisher's Exact
		# (Yes)	% (Yes)	Fisher's Exact	# (Yes)	% (Yes)	Fisher's Exact	
For-Profit	21	13	62%		4	19%		
Intermediate	36	10	28%		9	25%		
Nonprofit	11	3	27%		7	64%		
Intermediate vs. For-profit				—**			+	
Nonprofit vs. For-profit				—*			+***	
Nonprofit vs. Intermediate				—			+***	

  

Panel B: Board size	Obs.	Number of board members			Mann-Whitney Test (z-value)
		Mean	Median	Std. Dev.	
For-Profit	19	4.74	5	2.28	
Intermediate	34	7.20	6	3.30	
Nonprofit	11	9.91	10	6.76	
Intermediate vs. For-profit					-2.69**
Nonprofit vs. For-profit					-2.32**
Nonprofit vs. Intermediate					-1.33*

**Table 4.** (Continued)

	Panel C: Decision approval	Obs.	Strategic decisions <sup>1</sup>			Financial decisions <sup>2</sup>			Human resource decisions <sup>3</sup>		
			Mean	Std. Dev.	Mann-Whitney Test (z-value)	Mean	Std. Dev.	Mann-Whitney Test (z-value)	Mean	Std. Dev.	Mann-Whitney Test (z-value)
For-Profit		19	0.77	0.33		0.79	0.35		0.34	0.44	
Intermediate		34	0.71	0.27		0.76	0.33		0.54	0.42	
Nonprofit		12	0.53	0.30		0.58	0.36		0.25	0.40	
Intermediate vs. For-profit					1.25			0.38			-1.66*
Nonprofit vs. For-profit					2.21***			1.72*			0.56
Nonprofit vs. Intermediate					1.85**			1.65*			2.08**

Statistics on board membership, board size and decision approval rights granted to board members of social enterprises by three self-selected organizational categories (for-profit, intermediate and nonprofit). Sample based on a survey of 70 fellows of the Schwab Foundation for Social Entrepreneurship undertaken in 2011. <sup>1</sup>Decisions on investment, strategy and use of surplus/profits. <sup>2</sup>Decisions on annual budget and financial statements. <sup>3</sup>Decisions on retirement/succession and salaries/bonuses. We test the statistical significance of differences between the organizational categories with Fisher's exact mean comparison tests or with Wilcoxon rank-sum (Mann-Whitney) test. \*, \*\*, and \*\*\* indicate statistical significance at the 10%, 5% and 1% level, respectively.

We analysed differences between the categories as follows. To test for differences on interval variables, we used Mann-Whitney tests, since our data did not fulfil the assumptions of parametric data. For categorical data, we used Fisher's exact test instead of the chi-squared test because of the small sample size (see Table 4).

By grouping our sample along these self-selected categories that imply a relation with an institutional logic, a more fine-grained pattern of organizational governance with respect to board membership, size and influence emerges. With regard to *board membership*, we find that financial resource providers are represented more frequently on boards of social enterprises that identify with the for-profit category (62%) than on boards of those that classify themselves as intermediate (28%) or nonprofit (27%). The differences between social enterprises that identify with the for-profit category and those that categorize themselves as intermediate or nonprofit are statistically significant ( $p < 0.05$  and  $p < 0.1$ , respectively). The target group is more frequently represented on boards of social enterprises that categorize themselves as nonprofit (64%) than on those that identify with the intermediate (25%) or for-profit category (19%). By employing Fisher's exact test, we find that the differences in the frequency of target group representation among social enterprises identifying with the nonprofit category and social enterprises that self-select into the intermediate or for-profit category are statistically significant ( $p < 0.05$  in both cases). We conclude that social enterprises that identify with the for-profit category follow prescriptions of the commercial logic, while those identifying with the nonprofit category implement prescriptions of the social welfare logic. Social enterprises that identify with the intermediate category rarely include the two stakeholder groups, possibly indicating that intermediate social enterprises do not strictly comply with any of the presented institutional logics. Defying logical prescriptions might allow them to mitigate pressure and circumvent requests from a specific stakeholder group and thus enable them to maintain their hybridity.

In terms of *board size*, our analysis shows that social enterprises identifying with the for-profit category have smaller boards (mean = 4.7) than those identifying with the intermediate (mean = 7.2) and nonprofit categories (mean = 9.9). When testing for differences of board size in relation to the three categories, we find that boards of social enterprises identifying with the nonprofit or intermediate category are significantly larger than boards of social enterprises identifying with the for-profit category ( $p < 0.05$  in both cases). Thus, social enterprises identifying with the for-profit category again comply with prescriptions of the commercial logic, and social enterprises identifying with the nonprofit category fulfil prescriptions of the social welfare logic. Social enterprises classifying themselves as intermediate follow social welfare logic prescriptions by having large boards and thereby engage in selective coupling.

Regarding *board influence*, our results indicate that boards of social enterprises identifying with the for-profit (77%) and intermediate categories (71%) are more likely to be involved in strategic decisions than boards of social enterprises categorizing themselves as nonprofit (53%). As for financial decisions, the data show that boards of social enterprises identifying with the for-profit (79%) and intermediate categories (76%) are more likely to have approval rights than boards of social enterprises identifying with the nonprofit category (58%). Statistical tests showed that social enterprises identifying with the nonprofit category differ significantly from those belonging to the for-profit and intermediate categories in the cases of strategic ( $p < 0.05$  and  $p < 0.1$ , respectively) and financial decisions ( $p < 0.1$  in both cases). The behaviour of social enterprises belonging to the for-profit and intermediate categories with regard to strategic and financial decisions corresponds to commercial logic prescriptions, while social enterprises identifying with the nonprofit category comply with prescriptions of the social welfare logic. Thus, social enterprises identifying with the intermediate category selectively cater for prescriptions of the commercial logic.

Our analysis also shows significant differences among the categories of social enterprises in terms of how boards are involved in human resource decisions. It is only boards of social enterprises categorizing themselves as intermediate (54%) that frequently involve or experiment on how to involve their boards in human resource issues (compared to 34% and 25%, respectively, for the boards of social enterprises in the for-profit and nonprofit categories). Social enterprises identifying with the for-profit or nonprofit category again adhere to the prescriptions of their respective institutional logic.

The patterns of characteristics and practices of governing boards emerging from the analysis of survey data allow us to develop first insights on how hybrid organizations cope with institutional plurality and to unpack mechanisms that enable them to combine and balance multiple logics. Our analysis identifies two types of hybrid organization. A first type of organization seems to clearly take sides, identifying as either a for-profit or nonprofit entity and conforming to the prescriptions of either the commercial or social welfare logic in their governance approach. We label these organizations as *conforming hybrids*. A second type of organization seems to resist identifying as a for-profit or nonprofit organization and prioritizing a single institutional logic over the other. Instead, they seem to question taken-for-granted governance arrangements associated with a single logic and proactively navigate multiple logics. We label these organizations *dissenting hybrids*. This second type of hybrid organization represents a more genuine form of hybridity and is of theoretical interest, as remaining hybrid – continuously balancing multiple logics – might be a vital issue for these organizations (Ebrahim et al., 2014).

Our qualitative analysis corroborates this typology. Conforming hybrids observe one institutional logic and consistently prioritize this logic in guiding their actions and decisions. For activities associated with a different logic they partner with organizations that explicitly take on and adhere to the prescriptions of that logic. For instance, Belu Water, incorporated as a for-profit entity and identified as a conforming hybrid in our survey results, channels its profits from selling bottled water into Water Aid, a nonprofit entity advancing safe water, improved hygiene and sanitation through advocacy and technology. Both entities have separate and independent boards. The business background of the founder and the governing board of Belu Water appear to have played an important role for Belu Water prioritizing a commercial logic, which is also visible in the brand and identity created around Belu Water. As Belu Water's chief executive explains:

'We wanted to be an environmental brand, but we wanted to trade and make profit ... having the credibility of Water Aid as our deliverer of social impact.' (Belu Water, featured in Thomson Reuters Foundation, 2014, min 3:00)

PATH, incorporated as a nonprofit organization and also identified as a conforming hybrid in our survey results, in turn, clearly adheres to the prescriptions of a social welfare logic: they repeatedly emphasize their social mission – improving global health – and the independence of their governing board in pursuing this mission. Yet PATH also takes pride in being involved in commercial activities, and hence it features commercial ventures in their external communication. The following example shows how they make explicit the distinction between the commercial logic guiding the decision and actions of their partners and their own guiding principles:

'The partner will also need to make a financial profit – or at least no loss – to participate in a long-term relationship. We design the project such that the goals of both PATH and our partner can be met as we develop the product.' (PATH, 2009: 1)

To summarize, quantitative and qualitative findings reveal that conforming hybrids prioritize structure and activities strictly aligned with either the social welfare or the commercial logic. Our analysis suggests that they perceive multiple logics as being conflicting and tend to ‘outsource’ activities prescribed by the conflicting logic to separate entities and organizational processes and, in so doing, maintain a pure legal and logical profile.

Dissenting hybrids follow a different approach to navigating multiple – potentially conflicting – logics. Our analysis of three organizational cases affirms the finding from the analysis of survey data that dissenting hybrids defy governance practices prescribed by either logic with respect to board structures. This additional analytical step also exposes the diverse ways in which dissenting hybrids set up governance and board structures, rejecting existing and crafting novel governance arrangements: Benetech – an organization providing technology solutions to meet the needs of marginalized and/or disabled people – pursues an integrated approach and assembles representatives of the business and social sectors in their board and makes clear that the board is responsible for ensuring the social mission as well as financial viability. Compartamos – a microfinance organization – splits accountabilities within the board; while at Homeless World Cup – an organization addressing homelessness – one governing board (the same board members) oversees and monitors the activities and performance of two legally separated organizational entities (one a for-profit and one a nonprofit entity). As Mel Young, the CEO of Homeless World Cup told us, ‘the governing board has two consecutive meetings and issues separate documents with separate minutes’.

Our qualitative analysis also shows that the balancing and combining of logics is not limited to governance at the board level but also manifests itself more broadly – at the level of the mission, the operational strategies and functional activities. At the mission level, we found that dissenting hybrids proactively and continuously stress that they are different: Benetech claims that they ‘want to be dramatically different’ (Fruchterman, 2008, p. 96), the Homeless World Cup notes that ‘we don’t operate in the typical way NGOs operate’ (Hornblower, Foster, & O’Reilly 2010, p. 14). Rather than feeling accountable to pre-established markers of success, they define novel categories of success that link established categories of economic and social value: Benetech (Fruchterman, 2011, p. 47) claims that it aims to create ‘social benefit’ and Compartamos cites generating ‘human value’ (Compartamos, 2008, p. 9). The latter also express their ambition to pursue ‘higher ends’:

‘We believe that microfinance is finance and has to be sustainable, that economic value is a consequence of social value, that the main contribution of microfinance is the expansion of the market, that microfinance has great economic value, and that the challenge of combating poverty is much larger than microfinance itself.’ (Compartamos, 2008, p. 1)

Alongside this, these organizations explicitly reject taken-for-granted organizational models and forms, claiming that old models of traditional for-profits and charities are no longer viable. They perceive themselves as representing

‘the new generations of business and social leaders [who] will fundamentally reject what they see as a false dichotomy of the past, and adopt new structures that can transparently deliver more social benefits.’ (Benetech; Fruchterman, 2011, p. 47)

At the operational level, we found that they perceive prescriptions from different logics less as a straitjacket to fit into and more as a ‘toolkit’ from which they can pick and choose (Fruchterman, 2011, p. 42) to craft strategy and structures. In the words of Jim Fruchterman, the founder of Benetech:

'I believe that for-profit and nonprofit structures can be good vehicles for improving society. You should look seriously at both as part of your toolkit.' (Fruchterman, 2011, p. 42)

In personal conversation he adds, 'I don't have to choose sides between hammers and screwdrivers as tools: they are useful for different tasks' (July 2014). Thus organizational arrangements are seen as strategic tools to advance society and that result from selectively coupling elements typically associated with two distinct logics:

'Benetech would be structured as a charity corporation, but operate like a technology company, designing and building products for the blind.' (Fruchterman, 2008, p. 85)

Finally, we find that playful engagement with prescriptions from different logics encourages and enables dissenting hybrids to go beyond existing practices and address challenges creatively. While this becomes apparent in the innovative ways on how to approach board governance introduced above, dissenting hybrids also develop innovative practices in organizational functional domains, for instance, in controlling, financing and recruiting.

At Homeless World Cup controlling (reporting and monitoring) is tailored to the business or charitable principles the specific partner adheres to:

'Although Young [the CEO] is a 'great believer in correct monitoring and evaluation,' he has not yet established a single reporting structure or mechanism .... He has preferred to manage each partner in a unique and customized way, which helps him make sure that the relationship continues to be a win-win for both sides. Further, different partners have expressed different needs and wants in terms of how they track their social investments.' (Homeless World Cup; Hornblower et al., 2010, p. 14)

Fruchterman (2008) describes how Benetech innovated beyond conventional prescriptions of financing practices:

'We knew we couldn't raise money from venture capitalists: the returns weren't there. It didn't even occur to us to talk to foundations. So, we structured [Benetech] based on trade credit ..... Calera, Hewlett Packard, and DEC all allowed us to pay them in 45 to 60 days. This difference in payment terms provided us with enough capital to build a \$5-million-per-year venture with only a \$2,000 loan from me to start up.' (Fruchterman, 2008, p. 86)

Similarly, and supported by its governing board, Benetech has pursued novel approaches in terms of recruitment and thus integrated their beneficiaries – disabled people – explicitly into their distribution and sales activities:

'They (disabled people) were expected to be happy with whatever they got. The industry also avoided hiring people with disabilities for direct sales. It was highly ironic that companies selling technology to empower people with disabilities didn't feel comfortable empowering them to the extent of hiring them for these jobs! [Benetech] changed both of these dynamics.' (Fruchterman, 2008, p. 87)

In sum, qualitative insights on organizational cases complement our analysis of survey data to suggest that conforming hybrids rely on prioritizing either the social welfare or commercial logic, while dissenting hybrids purposefully navigate both logics. Our findings point to defiance, selective coupling and innovation as a mechanism that enables combining and balancing multiple logics. In the next section we discuss these three mechanisms in light of the literature on hybrid organizations and institutional plurality.

## Discussion

The purpose of this paper is to advance the theory on hybrid organizations and to expand on the knowledge of organizational governance. We complement existing perspectives on hybridity (Anheier & Krlev, 2014; Brandsen, van de Donk, & Putters, 2005) and view hybrid organizations as logically plural from an institutional perspective: they operate in the interstices of distinct sectors and are therefore confronted with multiple and often conflicting institutional logics. At the societal and sectoral level, logics shape institutions, that is, the rules of the game (Friedland & Alford, 1991), and at the organizational level they shape identities and practices (Olsen & March, 1989). In their decisions on how to organize and to pursue strategic objectives, hybrid organizations must decide whether and how to operate under multiple logics, meaning that they play ‘two or more games at the same time’ (Kraatz & Block, 2008, p. 243), or to adhere to one dominant logic, meaning that they prioritize one logic.

### *Advancing research on hybrid organizations and institutional plurality*

Our study represents a first step toward a more fine-grained empirical and theoretical understanding of the functioning of hybrid organizations (Besharov & Smith, 2014).

Our results on *conforming hybrids* reveal that social enterprises that follow prescriptions of the commercial logic adopt a governance approach that is fully aligned with the descriptions and prescriptions noted in the extant literature on corporate governance: they frequently grant board membership to financial resource providers, have rather small boards and frequently involve their boards in strategic as well as financial decisions. Conforming for-profit hybrids such as Belu Water operate as business organizations while their profits are transferred to a charity partner, who in turn operates according to nonprofit principles.

Social enterprises that follow prescriptions of the social welfare logic exhibit governance patterns fully in line with descriptions and prescriptions from the literature on governance of organizations operating in the social sector: they frequently include members of their target group on their boards, have rather large boards and grant their board members limited decision-making power.<sup>4</sup> These practices are also consistent with previous findings showing that nonprofit boards are only rarely involved in their organizations’ decision making (Miller-Millesen, 2003).

These results support theoretical claims that achieving compromise – understood as an organizational strategy to cope with institutional plurality and consisting of finding an acceptable balance between the conflicting expectations of external stakeholders (Oliver, 1991) – is difficult. Although we lack more fine-grained data to unpack the level of compromise *conforming hybrids* are willing to undertake in their governance approach, our results suggest that these organizations prioritize a dominant logic but comply with the minimum standards of the other logic to ensure support and legitimacy among different stakeholders (Pache & Santos, 2013). As our cases show, among *conforming hybrids*, social welfare and commercial logics – visible in organizational governance, process and structures – tend to be kept separate.

In contrast, our findings suggest that *dissenting hybrids* that resist identification with a single institutional logic seem to perceive exposure to multiple logics as an opportunity and allow both logics to guide their organizational decisions and behaviour simultaneously. These social enterprises are of particular interest in advancing theory on the functioning of hybrid organizations. Our findings point toward three mechanisms that enable *dissenting* social enterprises to balance conflicting institutional logics in their organizational governance: defiance, selective coupling and innovation. *Dissenting hybrids* are less likely to grant board membership to financial resource providers or the target group and thereby defy the prescriptions of a commercial logic or social

welfare logic. Defiance has been described as an important mechanism allowing organizations to navigate complex and/or ambiguous institutional terrain (Oliver, 1991; Uzo & Mair, 2014). As our qualitative analysis reveals, defiance includes the active rejection of choosing between a commercial or a social welfare logic.

Second, with regard to board size and influence, dissenting social enterprises straddle institutional logics. They embrace practices that embody social welfare logic – apparent, for instance, in a larger board size – and commercial logic – reflected, for example, in the practice of granting their board wide decision-making power in financial and strategic issues. As our qualitative study shows, dissenting hybrids tend to perceive practices from different logics as a ‘toolbox’ from which they can selectively pick and choose; that is, they selectively couple strategic and structural elements associated with both logics. Selective coupling has been identified as an important mechanism for explaining how hybrid organizations function when dealing with a diverse range of institutional pressures and demands (Pache & Santos, 2013).

Third, our data reveals that dissenting hybrids also innovate and develop novel governing practices and organizational processes integrating dual organizational goals. These novel practices include human resource management, an organizational domain often neglected by traditional governing boards (Fisman, Khurana, & Martenson, 2009). Thus our findings complement recent empirical work (Battilana & Dorado, 2010) which shows that innovative socialization and hiring practices can mitigate tensions between what may be perceived as competing logics in hybrid organizations. Our findings underscore that innovation is not just focused on the specific goods and services these organizations offer, but refers to attaining dual goals (Mair & Ganly, 2014). This perspective resonates with Merton’s (1968) view that innovation implies not complying with given institutionalized means. In the words of Schumpeter (1947), conforming hybrids stay within the range of current customs (adaptive response), whereas dissenting hybrids go beyond existing practices and procedures (creative response).

This study also offers new insight for the broader body of research on organizations and institutional plurality. More specifically, our findings allow us to reconcile recent and popular perspectives on institutional logics (Thornton, Ocasio, & Lounsbury, 2012) with earlier accounts of institutional theories on organizations (Kraatz & Block, 2008; Selznick, 1949, 1957) and complementary perspectives to institutional logics grounded in convention theory (Boltanski & Thévenot, 2006; Stark, 2009). Over the past few years, institutional research on organizations has, in our opinion, overemphasized the conflicts and contestation among logics. We almost take for granted that, as a result of conflict among logics, a dominant logic needs to prevail and often ignore the generative potential of organizations in (re)combining logics (Binder, 2007). Our results corroborate the claim that many hybrid organizations choose – or, as we argue, prioritize – a dominant logic. However, we also find that some hybrid organizations proactively combine logics in their governing practices. Our findings on dissenting hybrids suggest that hybrid organizations ‘thrive and prosper in the midst of institutional pluralism’ (Kraatz & Block, 2008, p. 246) and support previous research proposing that organizations defying formal rules may be in a favourable position to spot and enact opportunities for innovation (Uzo & Mair, 2014). Kraatz and Block (2008) propose that the management of pluralism may be a critical organizational capability that makes organizations more robust and sustainable over time. As our findings show, dissenting hybrids perceive plural logics as a resource rather than as a restriction and may thus be more likely to innovate and, ultimately, adapt to emerging challenges. Thus, logic plurality may support organizations in dealing creatively with multiple demands from different stakeholders and in innovating, as our findings suggest, the ways of organizing. While recent empirical research shows how the coexistence of multiple logics can be mutually beneficial at the level of organizational fields (Mair & Hehenberger, 2014), we currently lack

empirical evidence at the organizational level. This study thus calls for future research to explore the performance implications of this coexistence at the organizational level.

To summarize, our findings contribute to institutional perspectives on hybrid organizations. Although we focus on a specific institutionally bound form of hybrid organization, social enterprises, the implications are transferable to hybrid organizations operating in the interstices of other institutional domains. Our findings might, for instance, be relevant for researching biotechnology companies, which face both scientific and commercial logics in their organizational and operational decisions (Murray, 2010; Powell, 1990). We hope that our approach inspires more empirical research to advance and extend our theorizing on hybrid organizations in the context of institutional plurality.

### *Advancing research on social enterprises and governance*

This study offers novel insight into recent conceptual discussions on social enterprises as hybrid organizations and the importance of organizational governance (Ebrahim et al., 2014; Low, 2006). Since governance reflects structure, an important insight is that in social entrepreneurship, structure follows the social mission pursued and the organizational activities and strategies carrying varied institutional logics (Chandler, 1962). In the words of Jim Fruchterman, CEO of Benetech: ‘structure is a choice that follows from the activities being pursued. It’s about fitness for the mission ... if you care about social good, you should choose the structure that allows you to best pursue that social good’ (personal communication, July, 2014).

Our empirical findings suggest that some organizations leverage the label social enterprises associated with hybridity for symbolic reasons, possibly to expand the scope of their external legitimacy (Battilana & Lee, 2014) or to gain broader access to financial or human resources. Hybridity in these organizations, however, is peripheral to their organizational functioning (Besharov & Smith, 2014). The social enterprises in our sample that conform to a specific institutional logic are indicative of such organizations. The role of governance in these hybrids is to signal compliance with the prescriptions of the dominant logic and to ensure the support of specific stakeholder groups. Another type of hybrid organization seems to adopt hybridity for substantive reasons. In our study, social enterprises that dissent – that is, do not conform to a specific institutional logic – are representative of such a hybrid. Actively engaging a diverse set of stakeholders and pursuing multiple and often conflicting logics are core to their organizational functioning (Besharov & Smith, 2014; Lee & Battilana, 2013). Governance constitutes a critical mechanism to balance institutional logics and to foster and protect external and internal legitimacy.

Our study shows that combining and straddling two distinct institutional logics allows social enterprises to exploit opportunities in the different institutional domains which more ‘legitimate’ for-profit and nonprofit organizations cannot tap into. However, this may confuse stakeholders, generate distrust and jeopardize their legitimacy.<sup>5</sup> More empirical research is needed to unpack intended from unintended consequences and to derive implications from such institutional strategies. Being ‘betwixt and between’ categories (Galaskiewicz & Barringer, 2012) makes it difficult for external stakeholders and audiences to categorize and hold social enterprises accountable. It is seldom clear whether their claims match what they actually do (Galaskiewicz & Barringer, 2012).

Finally, the heterogeneity in approaches to governance uncovered in our sample of social enterprises is relevant for policy makers. As governments worldwide strive to craft policies to enable the activity of social enterprises that include new legal entities (Spear et al., 2009), they could consult and analyse in more detail the organizational arrangements and activities of dissenting hybrids, since these are most likely to be at the frontiers of organizational innovation.<sup>6</sup>

## Opportunities for Future Empirical Research, Limitations and Conclusions

Our study prompts a variety of questions for future research. First, our study advances the theory of social entrepreneurship and supports studies showing that social enterprises are not a homogeneous population, but instead take different legal forms (Cooney, 2012), leverage diverse types of capital (Mair et al., 2012) and vary in organizational structure (Battilana & Lee, 2014). Further research is needed to understand whether and under what conditions hybrid organizations shift from a dissenting to a conforming mode and vice versa. Studies that capture time as an important dimension would enable us to detect enabling or constraining conditions related to the organizational life cycle and the external environment. This would provide important seeds for causal explanations and allow us to better understand when a hybrid way of organizing is transitory and when it is a steady state.

Second, our study finds that dissenting hybrids develop structures and processes that allow them to involve a variety of stakeholders, pursue multiple and often conflicting goals and engage in divergent or (seemingly) inconsistent activities. Our two-step analytical approach allowed us to assess formal – board level – governance arrangements as well as more informal practices at the broader organizational level. Thus our study is consistent with and advances efforts that emphasize the need to study governance in the different ways it manifests itself in hybrid organizations (Billis, 2010) and by integrating sector-specific and mechanism-based approaches (Seibel, 2015; Arellano-Gault, Demortain, Rouillard & Thoenig, 2013). The mechanisms uncovered in analysing dissenting hybrids suggest that these genuine hybrids go beyond coping with competing prescriptions (Seibel, 2015) and make selective use of and innovate in plural environments. Future studies building on our descriptive findings might be able to take a more prescriptive take and derive more explicit recommendations for the management of hybrid organizations.

Finally, and related to the previous point, more research is needed to better understand the performance and impact of hybrid organizations in general and social enterprises in particular. Our categorization informs this stream of research by raising questions about how the organizations themselves assess and communicate success. While, as our findings suggest, conforming hybrids may be likely to use the metrics from the domain they identify with (financial measures for for-profit organizations and social outcomes for nonprofits), dissenting hybrids may establish new avenues of conceptualizing, measuring and communicating their success and performance that may ultimately have implications for building and maintaining legitimacy in pluralistic contexts. Our study calls for more idiosyncratic – and therefore probably also more meaningful – measures of success for dissenting hybrids. While indicators such as financial results and social outcomes enable comparisons across organizations, this study makes it explicit that much of the value dissenting hybrids create cannot easily be measured. Success, for example, also implies solidifying new models of organizing or the institutionalization of new governance practices.

This study is not without its flaws. Our research design – the population of the organizations we studied, the cross-sectional survey we administered and the purposeful analysis of organizational cases based on secondary data – constrains the generalizability of our findings. While the instrumental research design based on a convenient sample has clear disadvantages in this regard, it has allowed us to focus on an existing, socially recognized population and to overcome biases common in hand-picked samples. The incomplete nature of archival and secondary data on the hybrid organizations we studied clearly limited our ability to control for factors that are potentially relevant for driving organizational governance and prevented us from exploring the link between

organizational governance and performance. Yet this study is an important first step toward a more systematic analysis of governance of and in hybrid organizations. In arenas populated by hybrid organizations, such as social entrepreneurship and biotechnology, much anecdotal evidence exists, which is mostly only applicable to the specific field under observation. Anchoring our findings in current debates in institutional theory allowed us to detect the specific intricacies of a singular phenomenon and encourage comparisons across fields and domains.

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### Notes

1. The description of the social welfare logic that guides the behaviour of social sector organizations might differ from perceptions that other authors apply when defining the social sector. For a comprehensive overview see Billis (2010).
2. For reviews on governance and governing boards in for-profit organizations, see Aguilera and Jackson (2010) and Hambrick, Werder and Zajac (2008), and on governance and governing boards in nonprofit organizations, see Cornforth (2012) and Stone and Ostrower (2007).
3. For reasons of comprehensibility, we adapted the wording used by the Schwab Foundation to describe the categories. Instead of using the terms *social business*, *hybrid nonprofit*, and *leveraged nonprofit*, we refer to for-profit, intermediate, and nonprofit, respectively. The definitions of the terms remain the same. For a more comprehensive definition of the categories, see <http://www.schwabfound.org/content/what-social-entrepreneur>.
4. We note that nonprofit social enterprises deviate from what some empirical studies reveal about traditional large-scale nonprofit organizations. Criticism, for instance, has been aimed at nonprofit organizations for neglecting their beneficiaries within board membership (Ebrahim, 2003; Iecovich, 2005; Ostrower & Stone, 2006). Our findings do not corroborate this neglect.
5. See also Pache and Santos (2010), who show how changes in governance led to legitimacy challenges in the case of Compartamos.
6. See community interest companies at <http://www.bis.gov.uk/cicregulator>, low-profit limited liability companies at [http://www.intersectorl3c.com/l3c\\_resources.html](http://www.intersectorl3c.com/l3c_resources.html) and benefit corporations at <http://www.bcorporation.net>.

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