

# Advancing Research on Hybrid Organizing – *Insights from the Study of Social Enterprises*

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## Abstract

Hybrid organizations that combine multiple organizational forms deviate from socially legitimate templates for organizing, and thus experience unique organizing challenges. In this paper, we introduce and develop the concept of hybrid organizing, which we define as the activities, structures, processes and meanings by which organizations make sense of and combine multiple organizational forms. We propose that social enterprises that combine the organizational forms of both business and charity at their cores are an ideal type of hybrid organization, making social enterprise an attractive setting to study hybrid organizing. Based on a literature review of organizational research on social enterprise and on our own research in this domain, we develop five dimensions of hybrid organizing and related opportunities for future research.

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We conclude by discussing how insights from the study of hybrid organizing in social enterprises may contribute to organization theory.

## Introduction

The presence of organizational forms, socially legitimate templates for building organizations, gives order and structure to distinct spheres of organizational life (Greenwood & Hinings, 1988, 1993; Pólos, Hannan, & Carroll, 2002; Rao, Morrill, & Zald, 2000). For most of the twentieth century, commercial businesses, public organizations and private charities comprised distinct forms associated, respectively, with the private, public, and non-profit sectors. Over the last three decades, however, the boundaries between these forms and their corresponding sectors have become increasingly blurred (Battilana, Lee, Walker, & Dorsey, 2012; Billis, 2010; Weisbrod, 1998). This blurring is epitomized by the rise of “hybrid organizations” that combine aspects of multiple organizational forms (Haveman & Rao, 2006; Hoffman, Badiane, & Haigh, 2012; Jay, 2013). Such hybrids are a locus of disorder, and potentially, of creativity.

Recent research proposes that combining organizational forms is central to organizational innovation and, in particular, the creation of new forms (Haveman & Rao, 2006; Tracey, Phillips, & Jarvis, 2011). As Padgett and Powell (2012, p. 2) write:

(o)rganizational genesis does not mean virgin birth. All new organizational forms, no matter how radically new, are combinations and permutations of what was there before ... Invention ‘in the wild’ cannot be understood through abstracting away from concrete social context, because inventions are permutations of that context.

Yet hybrid organizations’ innovativeness also poses unique challenges to their sustainability. By combining multiple forms, they deviate from each, resulting in internal and external tensions between the forms they combine (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Kraatz & Block, 2008; Weber, 2005). A critical question facing organizational scholars is thus how hybrid organizations can manage these tensions, and thereby combine multiple forms sustainably.

In this paper, we introduce and develop the idea of *hybrid organizing*, which we define as *the activities, structures, processes and meanings by which organizations make sense of and combine aspects of multiple organizational forms*. Theories describing how organizations combine multiple organizational elements have deep roots in the organization studies canon (Katz & Kahn, 1967; March, 1991; Simon, 1948). Over the last three decades, scholars have further developed these ideas by studying how organizational forms, as well as related constructs such as organizational identities and institutional logics,

appear in hybrid configurations, thus placing multiple, often divergent pressures on organizations (Haveman & Rao, 2006; Kraatz & Block, 2008; Oliver, 1991; Pache & Santos, 2010; Pratt & Foreman, 2000). In proposing the concept of hybrid organizing, we build on these foundations to articulate specific organizational features underlying the combination of multiple organizational forms.

To advance this research, we analyze social enterprise as an ideal type of hybrid organization. Recent advances in research on hybrid organizations have focused on social enterprises that combine aspects of the business and charity forms at their core (Jay, 2013; Pache & Santos, 2012). These organizations, of which microfinance organizations, sustainable food producers, and work integration social enterprises (WISEs) are well-studied examples, pursue a social mission while engaging in commercial activities that sustain their operations (Dees, 2001; Mair, 2010). Thus, their sustainability as hybrids depends both on the advancement of their social mission and on their commercial performance. The charity and business forms have historically been considered distinct and often incompatible, yet both are core to social enterprises' functioning (Besharov & Smith, *in press*; Galaskiewicz & Barringer, 2012). We therefore propose that social enterprises represent an "extreme case" of hybridization and thus provide a setting uniquely suited to the study of hybrid organizing. Social enterprises are emblematic of economy-wide increases in activity at the interface between business and charity, as corporations increasingly engage in social responsibility-related activities, and non-profits increasingly engage in commercial activities to complement their primary, philanthropic sources of funding (Battilana et al., 2012). By understanding the dynamics of hybrid organizing in social enterprises, we will thus be able to better understand the challenges contemporary organizations face as they increasingly combine aspects of the charity and business forms.

This paper is structured as follows. We first present the theoretical foundations of organizational hybridity and introduce the concept of hybrid organizing. We then review the organizational research that has studied social enterprise, to explain why we consider it to be an ideal type of hybrid organization, and also to summarize the external and internal tensions that social enterprises face as a result of combining the charity and business forms at their cores. Next, building on our review of the literature on social enterprises as well as on our own research, we discuss features of social enterprises that affect their capacity to sustainably combine the business and charity forms, and provide a roadmap for future research on hybrid organizing in social enterprises. We close by discussing how this research has the potential to contribute not only to a better understanding of social enterprise, but also to the advancement of organizational theory. More specifically, we discuss the implications of hybrid organizing for how organizations generally can address the challenges they face in an increasingly hybridized economy.

## Hybridity and Hybrid Organizing

The concept of “hybridity”, in the abstract, refers to the state of being composed through the mixture of disparate parts. For example, in biology, mixing of existing biological populations is one mechanism leading to novel speciation (Arnold, 1997). Specifically, hybridity describes direct constitution from existing elements. Hybrids are not *de novo* objects composed entirely anew, but are rather *inter alia* objects, composed through the recombination of existing elements. Hybridity also requires that the combination of parts be central and persistent within a given entity, rather than adaptive and transitory. For example, a mule is a hybrid, but a chameleon, due to the contingent nature of its multiple forms, is not.

### *The Concept of Hybridity in Organization Studies*

In organization studies, the concept of hybridity begins with the premise that organizations do not originate independently of the external environment, but rather are products of a prevailing social context. As Meyer and Rowan (1977) write, “the building blocks for organizations come to be littered around the societal landscape; it takes only a little entrepreneurial energy to assemble them into a structure” (p. 345). Literatures on organizational identity, organizational forms, and institutional logics have all made theoretical contributions regarding the hybridization of multiple, disparate elements. While these literatures have rarely spoken to each other directly, we believe they offer complementary insights into the ways that organizations experience hybridity. Below we briefly present these different streams and identify dimensions in which they are distinct, as well as how they are related. We then build on this prior work to introduce the notion of hybrid organizing.

*Hybridity as the combination of multiple organizational identities.* A first stream of research on hybridity addresses organizations that combine multiple identities, where identities are defined as the central, distinctive, and enduring features of an organization (Albert & Whetten, 1985). The consequences of combining multiple identities may differ significantly depending on the number of distinctive identities an organization combines, as well as the extent to which these identities are synergistic (Pratt & Foreman, 2000). Additional variables affecting the combination of identities include the extent to which the constituent identities are inviolate, or instead prone to change through combination, and the extent to which one or more of the identities are fully dispensable (Albert & Adams, 2002). Such dimensions are related to ongoing theoretical debates as to whether multiple identities co-occurring in the same organization must be viewed as core and peripheral, or whether organizations may have multiple, core identities (Corley et al., 2006).

Research on hybrid identity organizations that continuously combine identities within the same organization focuses on the intra-organizational consequences of this hybridity, studying how the presence of multiple identities shapes organization members' experiences and enactments of organizational life (Glynn, 2000; Pratt & Rafaeli, 1997). A key distinction among such organizations is the extent to which the multiple identities are holographic, where multiple identities are shared across the entire organization by all organization members, or ideographic, where multiple identities are, respectively, carried by subgroups within the organization but not shared across the whole organization (Albert & Whetten, 1985). Depending on the configuration of identities, inconsistencies between multiple identities may be negotiated within individuals, or between individuals (Fiol, Pratt, & Connor, 2009; Glynn, 2000; Golden-Biddle & Rao, 1997; Pratt & Foreman, 2000).

*Hybridity as the combination of multiple organizational forms.* A second literature conceptualizes hybridity as the combination of established organizational forms. Each organizational form consists of a particular cluster of features that are shared among organizations that enact that form (Hannan & Freeman, 1986; Pólos et al., 2002). Forms become institutionalized over time as they acquire legitimacy, a “taken-for-grantedness” that accrues to established forms and facilitates access to unique resource niches. Established forms also benefit from regulations that reward each form’s specific qualities. Each of these forces operates as a “segregating process” (Hannan & Freeman, 1977), creating an environment in which organizations that closely follow well-established forms have the greatest likelihood of survival (Aldrich & Fiol, 1994). Hybrids arise when segregating processes are overcome by countervailing mechanisms that lead organizations to combine multiple forms (Hannan & Freeman, 1986; Haveman & Rao, 2006). These may include planned, deliberate combinations oriented toward the pursuit of new opportunities, or unintentional combinations occurring by accident or due to unanticipated external change.

While researchers have used the concept of hybridity between organizational forms to describe the combination of network and hierarchy<sup>1</sup> (Adler, 2001; Podolny & Page, 1998; Powell, 1990), others have studied organizations that combine forms corresponding to government and business (e.g. Arellano-Gault, Demortain, Rouillard, & Thoenig, 2013; Billis, 2010; Brandsen & Karre, 2011). Still others have examined the emergence of biotechnology companies, an organizational form of science-based business that combines aspects of academic research organizations and business organizations (Murray, 2010; Owen-Smith, 2003; Powell & Sandholtz, 2012). Recently, scholars have begun to pay close attention to hybrids that combine aspects of the charity and business forms (Hoffman et al., 2012; Lee & Battilana, 2013; Pache & Santos, 2013).

*Hybridity as the combination of multiple institutional logics.* A third stream of research uses the concept of hybridity to characterize organizations that

combine multiple institutional logics (Besharov & Smith, *in press*; Greenwood, Diaz, Li, & Lorente, 2010; Pache & Santos, 2010), where institutional logics are defined as taken-for-granted beliefs and practices that guide actors' behavior in fields of activity (Friedland & Alford, 1991; Thornton, Ocasio, & Lounsbury, 2012). While a single logic may dominate a given field of activity, research has shown that multiple logics may co-exist in the same field, thus simultaneously influencing organizations in that field (D'Aunno, Sutton, & Price, 1991; Reay & Hinings, 2005; Schneiberg, 2002; Seo & Creed, 2002; Thornton & Ocasio, 1999).

As in research on organizational identity and organizational form, the extent to which logics co-exist within an organization is likely to differ based on the extent to which these logics are core to the organization, as well as the extent to which they provide compatible prescriptions for action (Besharov & Smith, *in press*). Organizations that enact multiple logics at their core typically must contend with these logics' different, and potentially conflicting demands (Kraatz & Block, 2008; Pache & Santos, 2010; Thornton et al., 2012). Past empirical research has documented organizational challenges that arise from having to deal with such patterns of incompatibilities between multiple logics, typically referred to as institutional complexity (Greenwood et al., 2011; Tracey et al., 2011; Zilber, 2002). Studies in this stream of research have examined organizations experiencing a range of logic combinations, such as the combination of the banking and social development logics in microfinance organizations (Battilana & Dorado, 2010), technical funding and child education logics in social housing (Binder, 2007), and care and science logics in medical education (Dunn & Jones, 2010).

Overall, discussions of hybridity in terms of organizational identity, organizational form, and institutional logic have reached largely convergent insights, despite having evolved in separate literatures. Although they operate at different levels of analysis, these constructs are related. Logics, defined at a societal level, provide the cultural materials through which organizational forms are constructed and reproduced in a given sector (Greenwood & Hinings, 1988, 1993). Once these forms are widely adopted by organizations in a field of activity, they gain social legitimacy and become institutionalized; in other terms, the patterns of organizing they prescribe become taken-for-granted within this field of activity (Douglas, 1986). Once institutionalized, forms in turn provide the "cultural materials that organizational members assemble" to formulate "essential identity elements" (Glynn, 2008, p. 426). Each organization's identity may be unique as they may assemble these cultural materials differently, but their identity is at least partially expressed through symbols that derive their meaning from existing forms (Hatch & Schultz, 2002). The combination of logics, of organizational forms, and of identities thus co-occur (Creed, DeJordy, & Lok, 2010; Glynn, 2008; Lok, 2010; Pederson & Dobbin, 2006). This co-occurrence is reflected in the concept of hybrid

organizing, which takes into account the interrelationships among logics, forms, and identities in hybrid organizations.

### *Hybrid Organizing*

How organizations hybridize multiple elements has been variously addressed by research on organizational hybridity (Kraatz & Block, 2008; Pache & Santos, 2010; Pratt & Foreman, 2000). For instance, Pratt and Foreman (2000) and Kraatz and Block (2008) advance parallel frameworks for how organizations may hybridize multiple identities, and multiple institutional logics, respectively. Pache and Santos (2010), building on Oliver (1991), focus specifically on how the presence of multiple institutional logics shapes internal organizational processes. These typologies, though developed separately, suggest a similar range of hybridization approaches: one that aggregates multiple elements (identities, forms, or logics), one that attempts to separate multiple elements so they can make them co-exist, and one that creates a new element (see Table 1).

While these typologies have contributed to the articulation of different approaches to hybridization, the organizational features by which these approaches may be achieved and sustained over time remain largely unspecified. In order to address this gap, we propose to undertake research on *hybrid organizing*, which we define as the activities, structures, processes, and meanings by which organizations make sense of and combine aspects of multiple organizational forms. We have chosen to anchor our analysis of hybrid organizing in the concept of organizational form because our focus is on the organization level of analysis. Yet hybrid organizing relates to both internal and external aspects of organizational life. Thus, in the course of analyzing the combination of forms, we also engage with other levels of analysis, to discuss how hybrid organizing also entails the combination of identities and institutional logics. More specifically, we consider internally-oriented aspects of hybrid organizing that include core organizational activities, workforce composition, organizational design and organizational culture, which are the critical building blocks of organizations (Nadler & Tushman, 1980; Tushman & O'Reilly, 2002). We also account for externally-oriented aspects of hybrid organizing by considering organizations' relationships with the various constituents in their environment (Scott, 1981, 2004).

Our approach to hybrid organizing builds on the long-standing interest among organizational theorists in how organizations respond to the tensions between competing forces that are inherent to organizational life. For example, early behavioral theories of the firm rejected the unified, rationalized depiction of the firm, arguing that firms are coalitions of individual actors with different, sometimes incompatible goals that come into conflict in decision-making (Cyert & March, 1963). Research on organizational learning later

**Table 1** Typologies of Hybridization Approaches

		<b>Oliver—“Strategic Responses to Institutional Processes” (1991)</b>	<b>Pratt and Foreman—“Classifying Managerial Responses to Multiple Organizational Identities” (2000)</b>	<b>Kraatz and Block—“Organizational Implications of Institutional Pluralism” (2008)</b>
Dismissive	Defiance (“Explicit rejection of at least one of the institutional demands”)/ avoidance (“Attempt at precluding the necessity to conform to institutional demands”)		Deletion (“managers actually rid the organization of one or more of its multiple identities”)	Denial (“deny the validity of various external claims that are placed upon it, attack the legitimacy of the entities making the claims, attempt to co-opt or control these entities, and/or try to escape their jurisdiction or influence altogether”)
Separating	Compromise (“Attempt to achieve partial conformity in order to accommodate at least partly all institutional demands”)		Compartmentalization (“organization and its members choose to preserve all current identities but do not seek to achieve any synergies among them . . . multiple identities are maintained but are separated from each other”)	Compartmentalize (“(separate) identities and try to relate independently to various institutional constituencies”)
Cumulative	Acquiescence (“adoption of demands”)		Aggregation (“an organization attempts to retain all of its identities while forging links between them”)	Rein in (“try to balance disparate demands, play constituencies against each other, and/or attempt to find more deeply cooperative solutions to the political and cultural tensions which pluralism creates”)
Creative	Manipulation (“Active attempt to alter the content of the institutional demands”)		Integration (“managers attempt to fuse identities into a distinct new whole”)	Forge durable identities of their own (“forge durable identities of their own and to emerge as institutions in their own right”)

identified the on-going tension between exploration and exploitation as inherent to most modern organizations (March, 1991). Building on this work, research on organizational ambidexterity has significantly enriched our understanding of how organizations internally manage multiplicity by examining the structural and cultural conditions under which organizations can balance the imperative to innovate with the requirements of their core business (Gibson & Birkinshaw, 2004; O'Reilly & Tushman, 2008, 2013; Tushman & O'Reilly, 1996). This research, however, has focused on organizations that enact a single organizational form, namely the business form. We extend this line of research, with the study of hybrid organizing, to organizations that are required, as a result of their hybridity, to make sense of and combine different organizational forms.

Recent research on hybrids in organization theory has focused on social enterprises that combine business and charity at their core (Battilana & Dorado, 2010; Jay, 2013; Pache & Santos, 2012). We believe that this is not a coincidence, but that these social enterprises are “a ready-made laboratory to study a creative variety of hybrid” (Billis, 2010, p. 13) In the next section, we review the organization literature on social enterprises to uncover what is distinctive about these organizations, and to explain why they are an ideal setting for advancing research on hybrid organizing.

### Social Enterprises as Hybrid Organizations

The term “social enterprise” has emerged in recent years through a decentralized process of social construction. For many decades prior to recent growth of interest in social enterprise, entrepreneurs have created ventures at the intersection of the charity and business sectors, such as cooperatives and mutual associations (Cornforth, 2004; Paton, 2003; Schneiberg, 2011; Schneiberg, King, & Smith, 2008). However, these ventures were not typically viewed by scholars or the public as belonging within a shared category of activity. With the rising popularity of the “social enterprise” label in the 1980s and 1990s, entrepreneurs around the world increasingly claimed the term to describe their own endeavors (Mair, Battilana, & Cardenas, 2012; Moizer & Tracey, 2010). This coincided with a period of experimentation among organizations and entrepreneurs, in response to changing economic conditions. In the U.S.A., a decrease in government funding for non-profits during the 1980s led to the development of new social projects that mobilized alternative sources of funding (Defourny & Nyssens, 2006; Kerlin, 2006). In Western Europe, a period of high and persistent unemployment in the 1970s led to the development of social integration enterprises that served the long-term unemployed, as well as provided housing programs for increasingly marginalized groups (Defourny & Nyssens, 2006; Kerlin, 2006).

Organizations combining aspects of business and charity came to be labeled as social enterprises and gained prominence, not only in Europe and the U.S.A., but around the world. In Bangladesh, Grameen Bank, the microfinance organization created by Nobel Laureate Muhammad Yunus was among the pioneering social enterprises (Yunus, Moingeon, & Lehmann-Ortega, 2010). Similarly, the Bolivian commercial microfinance organizations BancoSol and Los Andes were among the early movers in South America (Battilana & Dorado, 2010). In Egypt, the social enterprise SEKEM gained widespread recognition for its work in biodynamic agriculture, undertaken with the social mission of transforming 70 hectares of Egyptian desert into productive farmland (Seelos & Mair, 2004).

Over time, social enterprise activities have attracted increased attention from a diverse set of actors including the media, public authorities, and investors. The term “social enterprise” achieved tremendous resonance with the popular press, which played a key role in relaying it to the public. The number of articles published on social enterprise in print journalism skyrocketed, going from 37 in 1997 to 529 in 2000 to 14,264 in 2012 (see Figure A2). The increased popularity of social enterprise has also resulted in regulatory activity aimed at supporting the development of a social enterprise field. For example, new legal forms have been created in order to better address the needs of social enterprises that are neither typical corporations nor typical not-for-profits.<sup>2</sup> Finally, the practice of “impact investing”, which refers to investment that is made with the intention of generating positive social impact as well as financial returns, has also emerged and is expected to reach as much as one trillion dollars of invested capital by the year 2020 (O'Donahoe, Leijonhufvud, Saltuk, Bugg-Levine, & Brandenburg, 2010).

By the time of the appearance of the first academic work on social enterprise, the label was already associated with a variety of well-known, diverse organizations. The construction of social enterprise using diverse examples from practice no doubt contributed to the wide range of definitions adopted by academic researchers (for reviews, see Dacin, Dacin, & Matear, 2010 and Mair, 2010). Some view social enterprise as the creation of any kind of social venture that promotes a social purpose (e.g. Murphy & Coombes, 2009; Zahra, Gedajlovic, Neubaum, & Shulman, 2009), while others view it as the creation of social ventures that engage in commercial activities to sustain their operations (e.g. Haugh, 2006; Hockerts, 2006; Robinson, 2006). Still others view it as the identification, evaluation, and exploitation of opportunities that yield a social return (e.g. Austin, Stevenson, & Wei-Skillern, 2006; Peredo & McLean, 2006; Perrini & Vurro, 2006), or any innovative initiative that aims to address a social problem (Alvord, Brown, & Letts, 2004; Sharir & Lerner, 2006). Social enterprise has thus developed within academia as an “umbrella” construct, with wide scope and ambiguous boundaries (Hirsch & Levin, 1999).

With this context, we began our review of the literature on social enterprise with a broad scope that included any organizations that have been labeled as social enterprises in organization studies. Based on this review, we more directly connected social enterprises to our previous discussion of organizational hybridity. Our review revealed that the term “social enterprise” has often been used to label organizational features that have already been well studied by existing academic fields of research—such as the literature on corporate social responsibility (CSR) and the literature on non-profit management—and thus may not belong in a distinctive organizational category. However, identification of these overlaps enabled us to focus on a more focused specification of social enterprise in which business and charity both constitute the organization’s core. Below, we present our literature review and analysis in more detail and explain why these social enterprises are an ideal setting to study the dynamics of hybrid organizing.

### *Organizational Literature on Social Enterprises*

Our review began with a keyword search of 20 academic journals specifically of interest to organization and management scholars. This search resulted in an initial list of 216 articles (see [Appendix](#) for details of our methodology). As we performed the initial coding of these articles, we observed wide variation in the way they combined aspects of the business and charity forms, and particularly the relative primacy of these forms in the organization’s behavior. To conceptualize this variation, we drew on Thompson’s (1967) influential distinction between organizational core and periphery, which was later taken up by subsequent literatures (Besharov & Smith, [in press](#); Meyer & Rowan, 1977; Scott & Davis, 2007). The core is the part of the organization that functions to transform inputs into outputs. By contrast, the function of the organization’s periphery is to respond to the exigencies of the organization’s environment, and thereby to seal off the core from the disruptive influence of ancillary activities. In our review of organizational research on social enterprises, some of the organizations labeled as social enterprises in the literature had an organizational core that reflected both business and charity, while others had an organizational core that reflected either business or charity, with the other enacted peripherally.

Distinguishing organizations in which both business and charity are part of the core from those in which one of these two is peripheral is important for two reasons. First, the latter type has been well addressed by existing literatures. Organizations in which business is core and charity is peripheral are widely addressed by research on CSR, in which social welfare activities are responsive to environmental demands and thereby protect the core business (Carroll, 1999; McWilliams & Siegel, 2001). Similarly, research on non-profit organizations has long studied businesses that substitute for shortfalls in charitable

funding and thereby complement donations (Anheier, 2000; Weisbrod, 1998). Our review found that remarkably, the term “social enterprise” has often been used to re-label organizational features that have already been well studied by existing academic literatures, and thus may not belong in a distinctive organizational category. Second, we viewed social enterprises in which both business and charity were at the organization’s core as most likely to yield insights into hybrid organizing, as neither form is clearly prioritized.

We therefore re-categorized the 216 articles to limit our final sample to social enterprises for which business and charity were both part of their core. To do so, one of the authors and a research assistant then coded the 216 articles for whether they dealt primarily with (1) CSR or (2) not-for-profit management, relying on an assessment of the organizations described in the article rather than any related labels used by the authors. In summary, we found that these two categories accounted for slightly more than half of those articles returned by our keyword search. This left 84 articles about organizations in which both business and charity were reflected in the organization’s core, which made them different from both CSR and non-profit management. To this list of 84 papers, we added 11 more academic contributions that were considered central to the field of social entrepreneurship and used the “social enterprise” label to refer to organizations that combined charity and business in their core. These articles and book chapters were identified as those that were not already part of our search, but were cited in at least two of the following three widely read reviews of the social enterprise literature: Short, Moss, and Lumpkin (2009), Mair and Marti (2006) and Dacin, Dacin, and Tracey (2011). This produced a final set of 95 academic contributions pertaining to social enterprises in which both the business and charity forms were at the organization’s core.

### *Social Enterprise as an Ideal Type of Hybrid Organization*

The social enterprises addressed by the 95 articles and book chapters we reviewed share the feature that both the business and charity forms are essential, and thus neither can be dismissed without a fundamental change to the model. Consequently, their sustainability as hybrids depends both on the advancement of their social mission and on their commercial performance. One widely studied example of this hybrid type is the Aravind Eye Hospital, a cataract-surgery organization based in Madurai, India (Mair & Marti, 2006; Perrini & Vurro, 2006; Rangan, 1993). Aravind, which pursues its social mission through the provision of inexpensive cataract surgery, has developed a tiered pricing model based on patients’ ability to pay. Relatively wealthier patients thus knowingly subsidize vision-saving surgery for poorer patients. Through this model, both business and charity goals are essential to the continued operation of the organization. Such combinations of business

and charity lead to patterns of organizing between multiple forms that transcend those described by the CSR and non-profit management literatures. On the continuum of organizations that combine aspects of business and charity, social enterprises thus combine these forms to an extreme degree (Galaskiewicz & Barringer, 2012). For this reason, we propose that they are an ideal type through which to observe the mechanisms that organizations use to make sense of and combine multiple organizational forms.

While contemporary observers frequently refer to social enterprises as a recent phenomenon, examples of social enterprises are scattered throughout organizational research. Prior to the recent popularity of social enterprise among scholars and the public, organizations in a number of sectors at the interface of business and charity combined elements of both within their cores. Organizational research has studied hybrid organizations in sectors such as education (e.g. Meyer & Rowan, 2006), healthcare (e.g. Kimberly & Evanisko, 1981; Ruef & Scott, 1998), and the arts (e.g. DiMaggio, 1991). Yet over the last decade, social enterprises have spread into new areas, including financial intermediation, retailing, consumer products, apparel, food processing and software development (Billis, 2010; Boyd, 2009; Dorado, 2006; Hoffman et al., 2012).

Social enterprises warrant attention both because they are on the rise in multiple economic sectors, and many parts of the world, and because they constitute an ideal setting to explore hybrid organizing and thereby advance the field of organizational studies. Because they combine the charity and business forms at their core, they constitute a setting in which we are likely to observe organizational features germane to their sustained combination. In examining how social enterprises are able to create and sustain combinations of business and charity, research on social enterprises thus provides a lens into a more general theoretical question of how organizations make sense of and combine multiple organizational forms.

### **External and Internal Hybridizing Challenges Facing Social Enterprises**

Organizational theories suggest that despite the potential of social enterprises to create both social and economic value (Sabeti, 2011), they walk a fine line between the institutional spheres of the business and charity sectors. By and large, these theories predict that social enterprises should experience unique external and internal tensions due to this unusual positioning relative to existing fields. Recent empirical studies provide partial confirmation of the challenges that arise from combining the business and charity forms at their core, while paying less attention to how these challenges may be sustainably overcome. As we detail below, tensions between the business and charity forms manifest both externally, in managing relations with a bifurcated organizational environment, and internally, in managing organizational identity, resource allocation and decision-making.

### *External Tensions*

Social enterprises that combine business and charity at their core face challenges in relating to their external environments due to the role of institutionalized forms in the conferral of legitimacy and resources. Legitimacy is granted to organizations that fit institutionalized expectations, and resources are frequently awarded on this basis (Kraatz & Block, 2008). Social enterprises do not fit a single, established form, and thus face the challenge of establishing their legitimacy. Thus, in addition to the challenges that all new types of organizations face in gaining the attention and approval of resource providers (Freeman, Carroll, & Hannan, 1983; Haveman & Rao, 2006; Ruef & Scott, 1998; Stinchcombe, 1965), social enterprises face further challenges due to their violation of the boundaries of the established social categories of business and charity (Ruef & Patterson, 2009; Zuckerman, 1999).

One domain in which these external challenges are particularly evident is the process by which social enterprises select and acquire official legal incorporation, a primary means through which regulatory authorities confer legitimacy. Corporate regulation regimes offer incorporation options that are aligned with the prevailing organizational forms of business and charity. Organizations with social missions that correspond to public goals are typically permitted to receive charitable donations, tax-free (Anheier & Salamon, 1997). However, this benefit is available only to non-profit organizations that do not distribute retained earnings, a practice generally associated with business (Simon, Dale, & Chisolm, 2006). By contrast, organizations incorporated as businesses have the advantage of being able to raise financial capital through the sale of equity, an option unavailable to non-profits. Thus, regulatory regimes reward organizations for their correspondence to ideal types, but not the joint production of financial and social value, leading to difficult trade-offs for social enterprises (Kennedy & Haigh, 2013). As previously noted, the emergence of new legal forms that are meant to better fit the needs of social enterprises, such as benefit corporations in the U.S. or CICs in the U.K., creates some new opportunities for these organizations. However, these innovations remain in an early stage and still lack broad acceptance or awareness (Defourny & Nyssens, 2008).

Hybridity also complicates the acquisition of tangible resources, such as financial capital. Because they do not correspond to well-understood categories, social enterprises that combine charity and business at their core are likely to be discounted by external evaluators, who themselves are embedded in extant organizational fields and perform evaluations according to socially constructed categories (Hsu, Koçak, & Hannan, 2009; Zuckerman, 1999). In addition to discounting their objective quality, evaluators may also perceive these social enterprises as relatively more risky, due to the relatively higher uncertainty of their future behavior. Such uncertainty results from resource

providers' awareness that the hybrid organization faces continuous pressures to conform to demands that may conflict with their own interests (Kraatz & Block, 2008). For instance, in addition to a lack of legitimacy, a potential profit-seeking funder might view a social enterprise as a risky investment because of the risk that in the future it will take actions that prioritize its social mission over commercial goals. Research suggests that for these reasons, nascent social ventures that employ commercial models are still less successful in securing external financing than their pure charitable counterparts (Lee, *in press*). The nascent field of social impact investing is beginning to create financing structures specifically designed to deliver capital in ways that align with the unique incentives and constraints of social enterprises combining business and charity at their core (Bugg-Levine & Emerson, 2011). However, this field is still very much in its infancy.

Finally, social enterprises may be seen as threatening to the dominance of incumbent organizations that enact institutionalized forms. They may therefore face strategic retaliation from powerful incumbents; for example, at least one industry association representing the traditional charity sector has publicly announced their opposition to legislation that would provide legitimacy and benefits to social enterprises pursuing business and social goals (Independent Sector, 2013). Others have observed that although the commercialization of non-profits increases their self-sufficiency, this may not always advance their mission (Guo, 2006). Referring to the effect of social enterprise on business, some argue that social enterprise activities threaten to corrupt market discipline and thereby, undermine economic growth (Husock, 2013).

### *Internal Tensions*

Social enterprises also face internal tensions that threaten their viability. Such tensions are evident in research on hybrid identity, which has shown that having multiple identities at once may prove untenable and lead to internal conflict (Fiol et al., 2009; Pratt & Foreman, 2000). Research on social enterprises has found that creating a common sense of hybrid identity among organizational members is particularly challenging when the organization combines aspects of charity and business at its core (Battilana & Dorado, 2010). When individual organizational members have identities that align disproportionately with either the business or charitable form, increased demands from the other can activate identity threat and raise latent differences into direct inter-personal conflict (Glynn, 2000).

The combination of business and charity forms is also manifest in the social enterprise's allocation of limited resources among activities that satisfy commercial and social welfare goals (Moizer & Tracey, 2010). One study of a social enterprise that hired the homeless to sell catalog goods found that financial resources were insufficient to support training and services for the

organization's workers while also meeting customer demands, a situation that ultimately led to the failure of the social enterprise (Tracey et al., 2011). The combination of forms may also lead to tensions in the allocation of attentional resources. In one Mexican social enterprise that housed, trained, and educated street children while also producing agricultural products, business and charitable activities competed for the time and attention of senior management and particularly the CEO, eventually compromising the social mission as the business grew (Austin, Bermudez, & Escobar, 1999). Such competition for resources may activate affective processes of inter-personal conflict that further compromise organizational functioning (Fiol et al., 2009). Disagreements on how to handle such tradeoffs may thus lead to intractable conflict and decision-making paralysis between organizational members who espouse differing logics (Pache & Santos, 2010).

Over time, the processes by which organizations reconcile conflicts over resource allocation may themselves become routinized. In scenarios where this reconciliation consistently favors either business or charitable goals at the expense of the other, the organization runs the risk of "drift" (Ben-Ner, 2002; Christen & Drake, 2002; Haight, 2011; Jones, 2007; Mersland & Strøm, 2010; Weisbrod, 2004). Even if social enterprises survive, they may thus be unable to retain their hybrid nature, as one form (either business or charity) is likely to gain dominance over the other over time (Scott & Meyer, 1991). Overall, because of the aforementioned external and internal challenges, hybrids are prone to goal displacement and "drift" toward better-established forms (Scott, 1967; Simons & Ingram, 1997). Such drifts may enhance the future prospects of the organization through the circumvention of internal and external challenges associated with hybridity, but threaten to compromise its hybrid nature.

### Hybrid Organizing in Social Enterprises

In examining how social enterprises alleviate the tensions resulting from hybridity, we develop the concept of hybrid organizing, defined as the activities, structures, processes, and meanings by which organizations make sense of and combine aspects of multiple organizational forms. Complementing the various literatures on organizational hybridity that we presented earlier, we argue that hybrid organizing is at play in five key areas of organizational life, namely (1) core organizational activities, (2) workforce composition, (3) organizational design, (4) inter-organizational relationships, and (5) organizational culture. For each of these five dimensions, building on prior research on social enterprises and on our own work, we discuss possible manifestations and implications of hybrid organizing and highlight future avenues for research.

### *Organizational Activities*

The tensions faced by social enterprises that combine business and charity at their core are largely experienced through the specific set of activities in which they engage. Specifically, hybrids vary in the extent to which commercial and social goals are advanced through a common set of activities versus through separate sets of activities. The level of integration between social and commercial activities is thus likely to affect the degree to which hybrid organizations experience tensions between their multiple forms, as integrated activities circumvent potential paradoxes in the allocation of human, financial, and attentional resources. Revenue-generating activities that share costs with the activities already undertaken to achieve the organization's social mission are strategically beneficial, because they create new revenue without creating competing resource demands (Nielsen, 1986).

Integrated activities that achieve the social and commercial objectives are also likely to benefit the hybrid in its relationship with its external environment. In order to develop and maintain legitimacy, hybrids appeal to the multiple audiences of the business sector, and the social sector, respectively. External audiences evaluate organizations' membership on the basis of well-understood categories that link membership to distinctive features (Zuckerman, 1999). Integrated activities thus allow for the simultaneous appearance of compliance to multiple audiences that evaluate different qualities of the organization's activities. As noted earlier, hybrids may face challenges in gaining legitimacy from multiple sectors, assuming that the pursuit of commercial activities forces deviation from recognizable aspects of the charitable form, and vice versa. However, where activities are more integrated, organizations are more likely to be recognized simultaneously as legitimate members of multiple forms (Lee, *in press*).

To illustrate activity integration, consider two hybrid models of social enterprise meant to address social issues of underemployment and poverty, namely microfinance organizations and WISEs. Microfinance organizations offer loans and other financial services in relatively small sizes, below the threshold at which such services were believed to justify the cost of managing their transactions (Canales, 2014). However, improved technology and innovative practices of social enforcement have lowered transaction costs and increased repayment, allowing microfinance to be profitable. In the case of microfinance, the business activities of risk calculation, loan making, and collection are integrated with the venture's social mission. Indeed, so long as they continue to provide the service to the poor at non-predatory rates, microfinance organizations accomplish their social mission of reducing poverty by helping poor people access financial services (Battilana et al., 2012).

However, for many social enterprises, social and commercial activities are less integrated. Take the example of WISEs that aim to help unemployed

people reintegrate the workforce (Garrow & Hasenfeld, 2012; Pache & Santos, 2012; Teasdale, 2012). These social enterprises hire unemployed people for a limited period of time with the objective of helping them acquire the social and technical skills they need to find a job. As they work for the WISE, these individuals produce products and/or services that are then sold to generate revenue, while also developing technical skills that they need to obtain stable, long-term employment. Yet such experience is typically necessary but insufficient for beneficiaries to obtain stable employment. Indeed, WISEs also need to engage in non-commercial activities such as social counseling and training on issues such as knowing how to deal with health and housing issues, how to fill out administrative documents, and how to handle an interview. WISEs consequently face tradeoffs when it comes to deciding how to allocate beneficiaries' and permanent staff's time across commercial and social activities (Battilana, Sengul, Pache, & Model, 2013). Furthermore, because the achievement of their social mission is linked to employment, and not to the delivery of the product or service, during periods of lower market demand, WISEs may face tradeoffs between keeping their beneficiaries employed and lowering staffing levels accordingly. In anticipation of such a situation, some grow more slowly than they otherwise might, in order to avoid the need to fire their employee-beneficiaries (Cooney, 2011).

The process by which integrated activities are developed is an important domain that to date has received only limited attention from researchers. For instance, recent research suggests that organizations may develop integrated activities through a process of "selective synthesis" in which new practices are integrated, rejected, or contested based on their compatibility with the existing goals and values of the organization (Chen, O'Mahony, & Besharov, 2014). However, in the context of social enterprise, activity integration is constrained by the social mission pursued by the social enterprise, and the resources available to its stakeholders. For instance, relatively few models exist that advance the interests of the world's extremely poor while also earning revenue, as these beneficiaries are sometimes unable to also function as viable customers, suggesting that in general, material aspects of the organizational environment may constrain the extent to which activity integration may be achieved. Nonetheless, for beneficiaries who are even slightly wealthier, yet still at the "bottom of the pyramid", some organizations have developed models that simultaneously address both business and social goals (London, 2009).

Finally, activity integration may have implications for the ability of hybrids to sustain their hybrid nature. When social and commercial activities are separate, social enterprises may experience a "service paradox" where serving one constituency may involve failing to adequately serve other constituencies (Jay, 2013). Research at the intersection of institutional theory and resource dependence literatures suggests that organizations more readily comply with the

demands stemming from external constituencies on which they depend for key resources, while they are more likely to resist the demands from constituencies on which they do not depend (Oliver, 1991; Pfeffer & Salancik, 1978; Wry, Cobb, & Aldrich, 2013). For social enterprises that serve distinct groups of beneficiaries and customers, such a tendency risks systematically favoring the interests of customers over the interests of beneficiaries on which the organization does not depend financially, leading to potential goal displacement from the organization's mission (Minkoff & Powell, 2006). Thus, integrated activities may help avoid mission drift that otherwise might arise from conflicts between serving customers and advancing the organization's social mission. Yet recent experience has shown that even in social enterprises with relatively high activity integration, such as microfinance organizations, mission drift still occurs (Carrick-Cagna & Santos, 2009; Christen & Drake, 2002; Dichter & Harper, 2007).

Overall, evidence suggests that the level of integration between social and commercial activities has influence that varies across social enterprises and types of organizational outcomes. Because of their apparent importance for hybrid functioning and sustainability, future research will need to examine the processes and conditions through which integrated activities are constructed, as well as the relationship of these practices with other dimensions of hybrid organizing. Further research also should examine the conditions under which social enterprises that combine business and charity at their core avoid mission drift, thereby maintaining their hybridity. What are the micro-processes by which mission drift occurs and what role does the level of activity integration play in these processes? For example, it may be that different levels of activity integration require different types of workforce composition, organizational design, inter-organizational relationships, and organizational culture, for social enterprises to be able to sustain their hybridity over time.

### *Workforce Composition*

The effects of organizational hybridity are also filtered by the assemblage of individual actors within the organization. Individuals develop dispositions that reflect dominant organizational forms, because their work experiences and training socialize them according to these forms (Bourdieu, 1977). Social enterprises straddle the social and commercial sectors, and therefore are unlikely to select from potential employees whose skills and dispositions align with their hybrid work context, as most people are still socialized either in the social or the commercial sector. As a result, it is rarely possible to populate the social enterprise with "hybrid individuals", and instead the social enterprise must organize in ways that allow individuals from one sector or the other to work together effectively.

This misalignment between labor resources and the combination of forms in social enterprise speaks directly to identity-based conceptions of hybridity. Identity research makes a distinction between holographic hybrids, in which the multiple identities of the organization are shared by its members, and ideo-graphic hybrids, in which the multiple identities are rather carried by distinct subgroups within the organization (Albert & Whetten, 1985). The presence of multiple identities in social enterprises may be both generative and constraining, as multiple identities provide a broader range of identity elements on which to draw, but also a greater risk of sanction from organization members and external constituents who identify with one of the constituent forms but not the other (Glynn, 2008; Weber & Dacin, 2011).

At the individual level, alignment between individual identity and organizational identity tends to improve organizational commitment, and thereby a range of valued organizational outcomes (Pratt & Foreman, 2000). Social enterprises that require employees to engage in both business-oriented and social welfare-oriented activities might consequently face challenges in organizational commitment when individual workers' identities favor one form or the other. For instance, Besharov (2013) studies employees within a socially responsible retail company which holds both a social, community-based mission, as well as an explicit, profit-motivated orientation to customer service. She finds that in this environment, managers influence over employees' identification with the organization is strongest in the presence of certain management practices, including the development of integrative solutions, removal of explicit reference to ideology, and the construction and reinforcement of routines that affirm ideology without referring to it. These types of practices were most likely to be observed when managers were "pluralists" that embraced the organization's hybrid identity. When possible, the presence of such hybrid individuals may also help to reduce the risk of organizational faultlines that may result from certain characteristics being correlated in individuals, creating conditions for factionalization and intra-organizational conflict (Lau & Murnighan, 1998).

In social enterprises that are not initially populated by individuals who espouse both the business and charity forms, they may address this, over time, through the deliberate socialization of organization members. The experiences of two Bolivian microfinance organizations, called BancoSol and Los Andes, illustrate this challenge (Battilana & Dorado, 2010). These organizations were founded in the 1990s in order to provide loans to the poor, and are neither banks nor social development organizations in the traditional sense; rather they combine both forms at their core. However, the prospective employees available for hire as loan officers had been trained to work in either organizational form but not both. Individuals with education and work experience in banking possessed a particular orientation to the profit motives of loan making, whereas individuals with equivalent experiences in social development

focused on the welfare of the individual borrower. In this case, neither type of employee had a “ready to wear” professional background for the hybrid model of the microfinance bank.

BancoSol and Los Andes adopted two different hiring and socialization approaches for their workforce. BancoSol hired bankers and social workers and counted on their joint commitment to the organization’s social mission to make them work together. In contrast, Los Andes hired university graduates with no prior working experience and provided extra training, while emphasizing excellence in the accomplishment of the tasks at hand. BancoSol ended up facing a crisis because of a paralyzing conflict between bankers and social workers, while the Los Andes approach succeeded and was later adopted by BancoSol. These results suggest that hybrid social enterprises face unique dilemmas in selecting their employees and that depending on their previous work experience, employees may need to unlearn some of their habits. The findings also show that training, incentives and control systems, however, provide means by which social enterprises may be able to develop homegrown “hybrid” professionals, trained to exercise judgment in the negotiation of the business and charity forms.

Overall, social enterprises can adopt a range of hiring approaches, ranging from the search for hybrid employees whose skills and dispositions encompass both the social and commercial dimensions, to separately hiring candidates who are socialized differently, but who collectively represent the necessary business and social backgrounds. Future research will need to further explore the mix of hiring and socialization policies that social enterprises may adopt to cope with the demands imposed by the charity and business forms that they combine. For example, it may be that different approaches are likely to be more effective depending on the level of integration between the commercial and social activities in which they engage.

### *Organization Design*

A third dimension of hybrid organizing is organization design, traditionally viewed as the way by which organization leaders formally translate strategy into action (Chandler, 1962). Such hybrid organizing features include formal organization structure, incentives and control systems, and governance.

*Organization Structure.* In hybrids, organization structure influences the location in the organization where tensions between multiple forms are experienced and resolved, a situation well described by organizational research on paradox (Smith & Lewis, 2011; Smith & Tushman, 2005). Structure affects the experience of tension between social and commercial objectives through its influence on the frequency and nature of tradeoffs between these goals, as well as the location within the organization where decisions about such trade-offs are made. A basic dimension of structure in social enterprises is the extent

to which business and charitable activities are addressed by the same organization members, or compartmentalized into different sub-units (Kraatz & Block, 2008; Pratt & Foreman, 2000). If the hybrid's activities are perfectly integrated, structural separation may not be necessary. However, when these activities are separate, organizations may create different units to structurally isolate activities associated with the multiple forms that are likely to come into conflict. Such compartmentalization produces new requirements of coordinating between the structurally differentiated units (Lawrence & Lorsch, 1967).

The structural challenge faced by social enterprises mirrors the situation studied by research on structural ambidexterity, which examines how organizational structures enable organizations to simultaneously exploit existing technologies while also exploring new ones (Smith & Tushman, 2005; Tushman & O'Reilly, 1996). Firms frequently pursue these multiple imperatives through separate sub-units, which require coordination at the level of the organization's top management team (Tushman & O'Reilly, 1996). Future research will need to examine the extent to which this finding applies to social enterprises, which face demands to advance their business and commercial objectives. Recent research suggests that in social enterprises, coordination across commercial and social sub-units may be ensured through the creation and maintenance of spaces of negotiation, which are areas of interaction that allow staff members in charge of social and commercial activities throughout the organizational ladder—and not only top management—to discuss and come to an agreement as to how to handle the tradeoffs they face (Battilana et al., 2013; Kellogg, 2009). Echoing other recent findings (Canales, 2014), this research suggests that processes of negotiation, while consuming organizational resources, may be a necessary condition for enterprises that combine charity and business at their core to maintain their hybridity and achieve high levels of social and commercial performance. Future research will need to further explore the formalized organizational processes by which social enterprises balance social and business goals.

Finally, the enactment of multiple forms may be achieved not only through formal features of organization structure and processes, but through decoupling in the enactment of multiple forms over time. Jay's (2013) study of the Cambridge Energy Alliance (CEA), for instance, documents how changes in the constituency to which the CEA was providing services led the organization to shift to a different logic, or to synthesize a new logic. Such shifts took place when multiple notions of who is being served (customer versus community) came into conflict, leading to experiences of paradox, reflexivity, and deliberate change. Thus, temporal compartmentalization provides yet another means by which organizations can address paradox (Lavie, Stettner, & Tushman, 2010).

*Incentives and control systems.* Incentives and control systems dictate how behaviors or outcomes are to be measured and rewarded, and are thus also

important to how organizations combine multiple forms. In particular, incentive systems can be used to teach and reinforce the behaviors and values desired in organization members (Feldman, 1976, 2002; Gómez, 2009; Jones, 1986; Saks & Ashforth, 1997). Social enterprises might encourage behaviors that advance multiple types of performance by linking incentives to a weighting between business performance and social performance, or through other, more complex incentive systems that reflect the organization's joint objectives. Such considerations contribute to the stability of agency relationships in complex organizations by creating shared understanding of how multiple objectives are jointly evaluated and rewarded (Jensen, 2002). Such systems also have an important function in communicating social enterprises' guiding values to funders and other external constituents (Nicholls, 2009).

Systems that measure performance on both business and social dimensions are thus important design factors of hybrid organizing in social enterprises, offering a means by which to align the incentives of organization members with an objective function that reflects multiple organizational goals. Future research will need to examine the influence of different performance measures and incentive systems on hybrids' sustainability and performance both in the commercial and social realms. Studies should also analyze the conditions under which such systems emerge, for instance, how the profile of social enterprise founders and/or leaders influence the enactment of hybrid systems of incentives and performance management.

*Governance.* Finally, governance systems are likely to play a key role in hybrid organizing. While much is known about governance in typical for-profits and non-profit organizations, social enterprises that combine business and charity at their core face unique governance challenges related to joint accountability to both social and economic objectives. Along with the formal structure and incentive systems previously described, governance plays a central function in ensuring that social enterprises maintain this joint accountability, thereby resisting pressures to "drift" toward either social or economic objectives at the expense of the other. Recent research suggests that boards in particular are likely to play a key role in ensuring that social enterprises avoid such traps (Ebrahim, Battilana, & Mair, 2013). This research proposes that social enterprises exhibiting different levels of integration between their social and commercial activities may require different types of engagement from the board to help them maintain their hybridity.

Future research will need to test this proposition and further examine features of boards of directors of social enterprises, including board composition and processes. Should boards of social enterprises try to recruit as board members individuals with respective experience in business and the social sector? Should they instead try to recruit only people who have worked in both sectors? Given the particular role of directors in the stewardship of organizational identity and mission, future research will also need to examine the

role of board members in recognizing and managing risks of goal displacement and mission drift.

### *Inter-Organizational Relationships*

Social enterprises also combine forms through the external relationships they enter into with other organizations and other aspects of their environment. Perhaps the most important of these relationships are with providers of financial capital. Because they combine the business and charity forms at their core, social enterprises may appeal to funding sources in both the business and charity sectors, yet they also face potential disadvantages in appealing to each of these audiences (Lee, *in press*).

Hybrid financing structures, such as venture investments that function as grants unless the entrepreneur sells shares, in which case they are converted to equity (Reiser & Dean, 2013), provide one means by which hybrids can avoid the ambiguities and risks that may impede financing and growth. Organizations where multiple forms are not all regarded as core, but follow a core-peripheral pattern, may also appeal to funders (Wry, Lounsbury, & Jennings, 2013). A number of central questions related to hybrid financing still remain unanswered, particularly with respect to how social enterprises' dependence on funders influences organizational strategies. For instance, does the configuration of funders with whom social enterprises partner lead to the adoption of different kinds of organizational practices and strategies? In particular, are hybrids that are funded by hybrid funders such as social impact investors different from those that rely on sources of funding embedded in either business or charity, but not both?

Social enterprises may also engage in outsourcing relationships and other partnerships in order to pursue their work. Such arrangements are common in the growing "buy one, give one" industry (Marquis & Chen, 2013). For instance, the eyeglasses company Warby Parker has committed to donate a pair of eyeglasses in the developing world for every pair it sells. It does not undertake this donation itself, however, but instead outsources this activity to another social enterprise, VisionSpring (Marquis & Velez-Villa, 2012). Similarly, the shoe and accessories company Tom's Shoes partners with a range of non-profit organizations to facilitate the donation of shoes in developing countries. Close relationships with organizations embedded in more established sectors will likely influence social enterprises' ability to achieve their social mission (Austin & Leonard, 2008), but the consequences of these relationships for social enterprises are not well understood. Are social enterprises that partner most often with other, similar organizations more likely to sustain their hybrid nature than those that interact with typical for-profits or not-for-profits? By engaging in close partnerships with typical for-profits and non-profits, do social enterprises risk compromising their hybrid

nature? Future research will need to study social enterprises' inter-organizational networks and their evolution over time in order to help address these questions.

Finally, leaders of social enterprises may engage in institutional work that deliberately attempts to shape broader institutional structures (Battilana & D'Aunno, 2009; Lawrence, Suddaby, & Leca, 2009). For instance, leaders may attempt to explain the social enterprise in terms of well-accepted discourses, or co-opt powerful actors, and thus enable the emergence of other social enterprises (Tracey et al., 2011). In recent years, such field-level efforts have attempted to legitimize the social enterprise sector as a fourth sector of our economy, distinct from the for-profit, non-profit, and public sectors (Sabeti, 2011). A key area for future research on social enterprises will thus be the institutionalization of the field. The rise of hybrid institutions that support social enterprise, such as social enterprise legal forms, impact investing, and professional training programs that prepare individuals specifically for employment in social enterprises, may decrease the need for hybrid organizing. Understanding how these developments influence the creation and growth of social enterprises in the future is an important area for future research.

### *Culture*

As organizational members engage in organizational activities, enact organizational design factors and interact with constituents in their organization's environment, they develop a pattern of shared values and norms of behavior that constitute the organization's culture (Schein, 2006). For this reason, we argue that organizational culture shapes how organizational members make sense of themselves and their organization, and is thus a dimension of hybrid organizing. A key question for social enterprises that combine business and charity at their core is thus whether a single organizational culture integrating both social and commercial aspects is possible, or even desirable, relative to the creation of multiple sub-cultures, if the former requires the reconciliation of competing norms and values. Cultural patterns within the organization will likely vary, in part, according to the level of integration of the organizational factors that we distinguished above (namely organizational activities, workforce composition, organization design, and inter-organizational relationships). Future research on social enterprises will need to address the question of if, and how, organizational members come to understand the social enterprise in its own right, rather than as a tenuous composite of business and charity.

The development of an organizational culture is emergent and embedded in the day-to-day activities of the organization and its members. However, leadership—defined as the behavior of organizational actors that gives organizational activities meaning and purpose (Kraatz, 2009; Podolny, Khurana, & Besharov,

2010; Selznick, 1957) —can play an important role in shaping organizational culture. Leaders of social enterprises face the particular challenge of constructing systems of meaning where multiple conceptions of the organization's values are possible or even likely. Seminal theories of leadership saw leaders as operating in complex, contested terrain (Selznick, 1957), in which leaders' distinctive function was to "knit together diverse constituencies and purposes, to engender cooperation and win consent, and to create a 'whole' entity that is at least minimally coherent, integrated, and self-consistent" (Kraatz, 2009, p. 73). Notably, this leadership role was seen as general, pertaining to leadership in all types of organizations. We posit that the leadership of social enterprises and other hybrid organizations comprises an extreme case which poses a particularly complex leadership challenge. Should the social enterprise compartmentalize its business and charitable activities, whether structurally or temporally, leaders will require skills that allow them to readily integrate between these two. Past research has proposed that to do so, leaders and leadership teams must recognize paradoxes created by distinct, competing strategic imperatives, then deliberately seek synergies between them (Smith & Tushman, 2005). In social enterprises, this perspective would suggest that awareness of the distinctions between the business and charity forms, acquired through work experience or other means, would enable a better understanding of when such separations are necessary. Future research will need to empirically explore this issue.

#### *Linkages and Configurations Across Dimensions*

The dimensions of hybrid organizing described above constitute distinct organizational features. However, they share the quality that each can be viewed in terms of the degree to which the business and charity forms are differentiated, or integrated. It is likely that linkages exist between dimensions, allowing for analysis of the various possible configurations of differentiation–integration across dimensions. It is interesting to note that research to date on social enterprises has largely studied organizations in which all dimensions tend toward a similar level of integration. For example, the micro-finance organization Los Andes, studied by Battilana and Dorado (2010), reflects this pattern. Its commercial and social activities were fully integrated as every time it made a loan to the poor, it also accomplished its social mission which aims to give access to financial services to the poor. Los Andes' organizational design was also integrated as it did not assign the responsibility for social and commercial activities to different units. Rather, the different parts of the organization were responsible for both. Similarly, the incentive systems focused on the organization's integrated activities, rather than creating separate systems that linked behavior to the advancement of social and commercial goals, respectively. The tasks involved interactions

mostly with Los Andes' targeted clients, who were the beneficiaries of Los Andes' social mission, and with other individuals and organizations that aimed at helping the same beneficiaries and their communities. Finally, Los Andes had a fairly integrated hybrid organizational culture resulting from the hiring of relatively junior people who were socialized into a shared hybrid mindset.

Research has also documented the case of social enterprises that are relatively differentiated across all dimensions. The Belgian organization Mobile School is an example of a fairly differentiated hybrid (Battilana et al., 2012). Mobile School aims to provide educational materials to children who live on the streets through a "mobile school", a box on wheels containing blackboards and educational board games. Because Mobile School serves children who live on the street all over the world, it cannot sustain its operations through selling materials to its beneficiaries. Instead, the Mobile School engages in consulting activities (in particular in the development of corporate training programs) in order to generate revenues and thereby sustain Mobile School's operations. In the case of Mobile School, the provision of mobile schools and the selling of corporate trainings are minimally related, through case studies developed in the former and used in the latter. Similarly, the consultants delivering the training programs and people involved in the construction and use of mobile schools are different groups that do not overlap. Finally, Mobile School is structurally differentiated as these different groups are part of different entities and are differently incentivized depending on the activities for which they are responsible. These different structural entities also interact with different external constituents as consultants interact mostly with corporations (except for the times when they are exposed to street cases), while other organizational members interact with the children and those organizations and individuals who actively help them.

However, all hybrids may not necessarily be either integrated or differentiated across all dimensions (Bovais, 2012). Indeed some hybrids may be less aligned across the dimensions of hybrid organizing as is the case for WISEs that we mentioned earlier. The possibility of variation in the alignment across dimensions of hybrid organizing raises a number of questions. Future research might systematically study existing configurations and compare them with each other. Specifically, there is a need for studies examining both the antecedents and the consequences of dimensions of hybrid organizing, and alignment between them, for both social and financial performance. Does the profile of hybrids' founders, leaders and/or board members influence the type of configuration that hybrids adopt? If so, how? Do we see variation in configurations across industries? Do hybrids tend to change configuration over the course of their life cycle, and if so, what factors might be responsible for such changes?

## Discussion

A central insight of modern organization theory is that organizations tend toward forms that are distinct, well-bounded, and reproduced over time (DiMaggio & Powell, 1983). However, recent research has highlighted the unique importance of hybrid organizations that combine multiple forms for organizational innovation and institutional change (Padgett & Powell, 2012). In this article, we have developed the concept of hybrid organizing, defined as the activities, structures, processes, and meanings by which organizations make sense of and combine aspects of multiple organizational forms. We have further proposed that social enterprise, viewed as an ideal type of hybrid organization that combines multiple forms, provides a useful lens through which to study hybrid organizing.

The importance of hybrid organizing for organization theory is predicated on the notion that the combination of forms leads to unique possibilities and tensions. Past research has focused largely on tensions that threaten the sustainability of hybrids, as indicated by our review of the literatures on hybridity as well as on social enterprises in organization studies. Social enterprises which combine the business and charity forms at their core face distinctive challenges incremental to those described in the existing literature on CSR and non-profits. Less-studied, and warranting greater attention, are the generative possibilities of social enterprise, and hybrid organizations in general. Scholars have proposed that the combination of disparate organizational elements may, under certain conditions, provide greater opportunities for discretion and change (Seo & Creed, 2002), as well as for flexibility in adapting to changing environments (Stark, 1999). We suggest that the realization of these outcomes is contingent upon organizational factors—organizational activities, workforce composition, organization design, inter-organizational relationships, and organizational culture—that shape how organizations experience both the conflictual and generative aspects of the combination of forms.

### *Hybrid Organizing and Social Enterprise*

Hybrid organizing has particular relevance for the growing research area of social enterprise and organization theory. As we have argued, social enterprise organizations, when they combine business and charity at their cores, comprise an ideal type of hybrid organization in which the combination of forms must be sustained. While tensions between the business and charity forms have long been apparent in organizations from fields, such as education and healthcare, a discrete distinction between “businesses” and “non-profits” in organizational research has persisted, leading researchers to study hybrid dynamics as idiosyncratic to particular organizations or sectors. A focus on hybrid organizing as a class of organizational features present across fields relaxes these

categories, inviting scholars to consider hybridity and social enterprise as a more general phenomenon. This analytical approach mirrors developments in the world of practice. Practitioners have begun to build institutional structures that specifically fund, govern, and regulate social enterprises as an organizational population that combines aspects of business and charity (Desa, 2012; Di Domenico, Haugh, & Tracey, 2010).

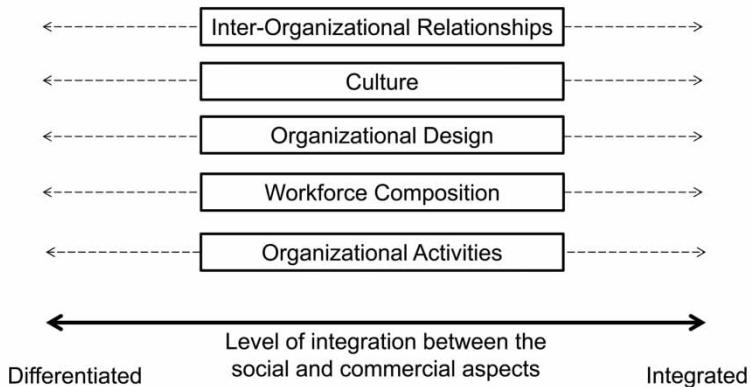
Updating theory to reflect these changes responds to calls for research reviving organization theory's initial, core mandate to investigate the consequences of organizational phenomena for the welfare of the broader society (Hinings & Greenwood, 2002; Stern & Barley, 1996). The emergence of social enterprise as a global movement involving vast numbers of organizations at the nexus of business and charity offers many opportunities for innovative, relevant organizational research. That being said, our approach is consistent with observations that developing a stand-alone, grand theory of social enterprise does not make sense given the loose definition and scope of the "social enterprise" label (Dacin et al., 2010). Rather, we believe that using social enterprise as a lens through which to understand hybrid organizing provides one way to highlight the distinctiveness of social enterprises and connect research on social enterprise to general questions in organization theory.

### *Hybrid Organizing Beyond the Case of Social Enterprises*

While social enterprises are one prominent type of hybrid organization, hybrid organizing warrants investigation of the broader population of organizations that combine multiple organizational forms. For instance, the combination of forms has also been observed in the creation of new industries, such as biotechnology (Murray, 2010; Powell & Sandholtz, 2012). Similarly, whereas we have argued for the importance of hybrid organizing in the extreme case of social enterprise, we would expect it still to play an important, if less pronounced, role, in corporations that engage in CSR and in non-profit organizations engaging in commercial activities. We believe that the degree to which organizations combine the business and charity forms at their core, versus holding one at the periphery, follows a continuum rather than a dichotomy. For instance, while charitable CSR activities are viewed as peripheral to companies' core commercial activities, evidence suggests that they are increasingly viewed as core to employees' understandings of the purpose of their work (Bhattacharya, Sen, & Korschun, 2008). In such situations, companies are likely to also exhibit aspects of hybrid organizing that address tensions between forms. Future research will thus need to examine how these organizations manage hybrid organizing in the five domains that we highlighted above.

Advancing our understanding of these dimensions of hybrid organizing opens multiple avenues for exploring the distinctive qualities of hybrid

## Dimensions of Hybrid Organizing



**Figure 1** Dimensions of Hybrid Organizing.

organizations. We argue that on each of these dimensions, the forms being combined can be more or less integrated, resulting in distinct configurations of hybrid organizing as described in Figure A1. Future research will need to more systematically identify these configurations and explore both their antecedents and their implications for organizational outcomes in organizations that hybridize distinct organizational forms (Figure 1).

### *Boundary Conditions*

Our conceptualization of social enterprises combining business and charity at their core, and hybridity more generally, has a number of boundary conditions. Importantly, the designation of social enterprise as an ideal type of hybrid organization presumes that social enterprises draw on discrete organizational forms. As social enterprise becomes more widely accepted, it is possible that social enterprise itself will achieve widespread legitimacy. Indeed, it would appear that this process has occurred to varying degrees in a limited number of specific industries, such as healthcare, education, and microfinance, where aspects of business and charity have long intermingled within single organizations. Many organizations in these fields are social enterprises that combine both forms at their core. In the course of building such organizations, social entrepreneurs can adopt hybrid organizing practices from already-established social enterprises. The legitimacy of social enterprise may also vary significantly across national and other social boundaries, as local norms and legal regimes vary in their receptiveness to the combination of business and charity. Considering such boundary conditions also leads to new questions

about their underlying premises, which may be addressed by future research on hybrids. In particular, under what conditions, and through what processes, do hybrid forms gain the self-reproducing, boundary-maintaining qualities of well-established forms?

Finally, progress on a research agenda such as the one we propose on hybrid organizing in social enterprises and beyond will face a number of challenges. Among the most prominent challenges is the measurement of performance in not only economic, but also social, terms. In fields where performance is the primary-dependent variable, researchers grapple with notions and measurement of “social performance”, and will continue to do so. In recent years, standards-setting organizations have attempted to measure and certify the “social performance” of social enterprises, but these efforts have yet to converge on a meaningful consensus (Ebrahim & Rangan, 2010; Kanter & Summers, 1994). Consequently, attempts to study the social dimension of social enterprise performance empirically have been limited to the strategy of studying a set of organizations that have a comparable output linked to enhanced social welfare (see, e.g. Battilana et al., 2013) and thereby avoid the problem of comparing different types of outputs. Convergence towards common understanding and measurement of social performance will be a boon for organizational research on social enterprises. However, the field will need to proceed with the knowledge that “social performance” is, itself, a social construction, and that such measures should be interpreted with a critical eye on their moral and empirical underpinnings.

A related challenge is the creation of a research infrastructure that permits rigorous, high-quality empirical studies of social enterprises. This research infrastructure includes both data and methods. In order to meet increasing scientific standards, new databases must be carefully constructed and pay heed to the methodological standards of research on mainstream business and non-profit organizations while also exploring creative new routes to address the methodological issues raised by the study of hybrids. This research will require carefully-validated measures of social performance, as well as the advancement of concepts uniquely important to understanding hybridity, such as multiple logics or identities, activity integration, and mission drift. It is our hope that the idea of hybrid organizing, and the research agenda outlined here will be a useful plank in the platform necessary to produce a more rigorous, coherent stream of empirical research on social enterprises and hybrid organizing.

## Conclusion

Over the last 30 years, organizations have increasingly challenged long-standing boundaries between the social and business sectors (Dees & Anderson, 2003; Emerson, 2003; Westall, 2009). Corporations have faced increased public pressure to help address far-reaching societal problems (Kanter, 2009;

Margolis & Walsh, 2003), leading to the adoption of behaviors meant to fulfill their perceived social responsibility (Carroll, 1999; Lev, Petrovits, & Radhakrishnan, 2010). In the meantime, not-for-profit organizations, under pressure to increase their overall efficiency and accountability and to find new sources of funding (Chetkovich & Frumkin, 2003), have adopted tools such as strategic planning and quantitative program evaluations (Hwang & Powell, 2009) and have engaged in commercial activities to complement revenues from donations and subsidies (Defourny & Nyssens 2006; Eikenberry & Kluver 2004; Kerlin 2006). The charity and business organizational forms, which historically evolved on separate tracks, have thus increasingly been mixed, leading to the emergence and development hybrid organizations that combine aspects of both organizational forms (Galaskiewicz & Barringer, 2012; Haveman & Rao, 2006).

The emergence of social enterprise echoes a history in which business and charity sectors did not exhibit their contemporary divide. Prior to the industrial revolution, enterprise in general derived its legitimacy from a broader range of economic and social functions, as business “served not only economic purposes, enabling subsistence and/or generating profits and capital, but also as mechanisms for educating and training craftsmen, merchants, and professionals, as guarantors of social and political order” (Hall, 2013 p. 24). With modernization, the profit purpose of business became increasingly decoupled from these broader social purposes, which were instead taken up in a distinct domain of philanthropy activities. We may then view social enterprises as hybrid organizations, but also as a stage in the reclamation of a more integrated vision of capitalism that has existed, at least in concept, for hundreds of years (VanSandt, Sud, & Marme, 2009).

We believe that organization theory has much to add in understanding these social and economic transformations. Hybrid organizing, in particular, offers a lens well suited to the breaking down of traditional boundaries that is an essential feature of our era. We, furthermore, believe that the study of social enterprises and other hybrid organizations presents an unprecedented opportunity to question some of our basic assumptions about the unified nature of organizational forms, a theoretical agenda that extends beyond social enterprise into a larger population of organizations that combine forms in innovative ways. In advancing the concept of hybrid organizing, we hope to stimulate further work that sheds light on these hybrid organizations and how their generative possibilities might be realized.

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## Endnotes

1. This seminal line of research focused on networks, markets and hierarchies as alternative configurations of economic organization. For instance, network forms of organization combine aspects of markets, such as flexibility and price-based coordination, with aspects of hierarchy, such as formal structure and commitment (Adler, 2001; Podolny & Page, 1998; Powell, 1990).
2. New legal forms include benefit corporations, Low-profit Limited Liability Corporations, and Flexible-Purpose Corporations in the U.S.A., Community Contribution Companies in Canada, and Community Interest Companies (CICs) in the U.K. (see Brakman Reiser, 2013; Murray, 2012).

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#### Appendix. Methodology used to review the organizational literature on social enterprises

We began by conducting a broad search on the following article databases: Business Source Complete, Academic Search Premier, Web of Science, and ABI/ProQuest. We used the following search terms: social enterprise, social entrepreneurship, social venture, and social business, limiting the search to the following twenty peer-reviewed journals: *Academy of Management Journal*, *Academy of Management Review*, *Administrative Science Quarterly*, *Organization Science*, *Strategic Management Journal*, *Organization Studies*, *Management Science*, *Human Relations*, *American Sociological Review*, *American Journal of Sociology*, *Social Forces*, *California Management Review*, *Entrepreneurship Theory and Practice*, *Journal of Business Venturing*, *Nonprofit and Voluntary Sector Quarterly*, *Journal of Business Ethics*, *Business Ethics Quarterly*, *Voluntas*, *Strategic Entrepreneurship Journal*, and *Journal of Social Entrepreneurship*. To arrive at this list, we began by considering journals frequently used in meta-analyses of the macro-organization literature (see, e.g. Ketchen

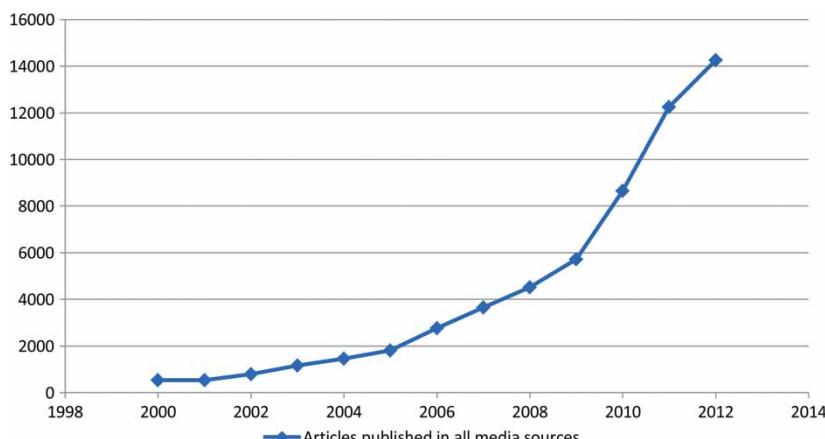
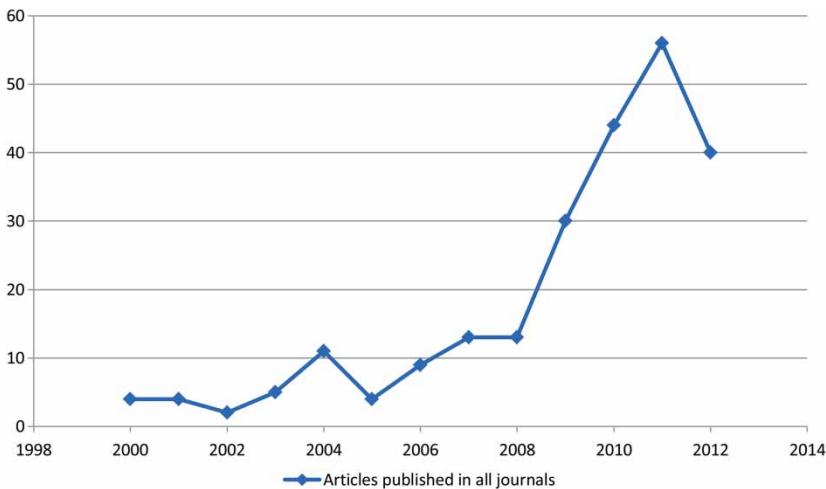


Figure A1 Articles Published in All Media Sources on “Social Enterprise”, “Social Entrepreneurship”, “Social Venture”, and “Social Business” (Source: Factiva).



**Figure A2** Articles Published in Organization and Management Journals on “Social Enterprise”, “Social Entrepreneurship”, “Social Venture”, and “Social Business”.

et al., 1997) and added to these a number of journals which have been prolific specifically in publishing organization-oriented work related to social enterprise (Dacin et al., 2011; Short et al., 2009; Smith, Gonin, & Besharov, 2013). The search results from all the databases were aggregated to produce a preliminary list of 256 articles. The dates of articles matching our keywords ranged from 1991 to 2013, with a sharp increase beginning in 2007 (see Figure A2). Whereas they represented less than 1% of the articles published in these peer-reviewed journals in 2006, they represented more than 6% by 2012.

To begin making sense of these 256 articles, we coded the title and abstract of each article according to the following preliminary codes: (1) whether the article referred to an organizational phenomenon, (2) whether it claimed to make a theoretical contribution to social science, and (3) whether it attempted to make an empirical contribution. All articles were double coded by one of the authors and another coder with experience in organizational research. According to their coding results, which were perfectly congruent, the majority of the articles (84%) relate to organizational phenomena. Also, we found a greater emphasis on theory development relative to empirical work: 68% of the articles attempting to make a contribution to social science theories, compared with just 45% claiming an empirical contribution. Because a basic boundary condition of our study was to consider organizational phenomena, we discarded the articles that were clearly not related to organizations, which resulted in a list of 216.