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Hybridity in Social Enterprises

M.K. Nandakumar¹

¹Associate Professor, Strategic Management Area, Indian Institute of Management, Kozhikode, IIMK Campus PO, Kunnamangalam, Kozhikode, Kerala, India; Email - nandakumarmk@iimk.ac.in, Phone Number - 0495-2809256

Abstract:

Social enterprises (SEs) face challenges due to the need to achieve their social and economic objectives. Hybridity, as a result of their emphasis on social and economic logic, is a typical characteristic of SEs. In this paper, I discuss the two forms of hybridity, namely hybridity in governance and hybridity in organizational logics leading to the identification of organizational forms resulting from their interaction. Subsequently, I focus my attention on the degree of hybridity in social enterprises on the basis of hybrid relativity and hybrid intensity. SEs can effectively manage the challenges associated with hybridity by making use of business model typologies. I discuss two business model typologies that help manage hybridity. I also discuss further development of this paper at the end.

Keywords: Social Enterprises, Forms of Hybridity, Degree of Hybridity, Business Model Typologies

Introduction

Social Entrepreneurship has been defined as ‘a set of innovative and effective activities that focus strategically on resolving social market failures and creating new opportunities to add social value systemically by using a range of resources and organizational formats to maximize social impact and bring about change’ (Nicholls, 2008, 23). Social enterprises (SEs) either address unmet needs or solve social/environmental problems through an approach that is market-driven (Social Enterprise Alliance, n.d.). Social entrepreneurship results from various initiatives undertaken by social entrepreneurs to implement social innovations (Nandan, London, and Bent-Goodley, 2015). The primary objective of SEs is social value creation, and in this process, economic value creation becomes a by-product (Ganzaroli, Noni & Pilotti, 2014). Social entrepreneurs maximize not on value capture but value creation (Santos, 2012) and aim to fulfill the criteria of maximizing value creation while sacrificing value capture (Agafonow, 2014). SEs differentiate themselves from for-profit and not-for-profit organizations by acquiring capabilities that enable them to create social impact and social system change (Zahra, Newey & Li, 2014). Even though SEs address the problems/issues which are not addressed by NGOs, private sector, and state-owned firms, they need the support of these organizations to scale up their operations (Nega and Schneider, 2014). Social entrepreneurship gains its relevance mainly because of its innovativeness in treating complex social problems and in the development of social and economic values ignoring the boundaries between private and public sectors (Bacq and Janssen, 2011). SEs innovatively address social problems, and the international differences among them reflect differences in welfare systems, labor market, and ideology (Chell, Nicolopoulou & Karatas-Ozkan, 2010; Miller, Grimes, McMullen & Vogus, 2012). Social entrepreneurship helps solve macroeconomic problems through innovative microeconomic solutions (Nega and Schneider, 2014).

The co-existence of social and economic logic differentiates SEs from other organizational forms. However, the co-existence of these two intrinsically different logics creates tensions and hence pose critical challenges to SEs (Doherty et al., 2014; Pache & Santos, 2013; Tracey, Phillips & Jarvis, 2011). In this paper, I delve into the forms of hybridity in organizations and discuss two business model typologies that are helpful in overcoming the tensions due to hybridity in SEs.

Forms of Hybridity

Quelin, Kivleniece, and Lazzarini(2017) proposed a framework explaining two forms of hybridity, namely hybridity in governance and hybridity in organizational logic. Hybridity in governance refers to“organizational forms combining traits and features from discrete modes of markets, firms or public hierarchies” (Quelin, Kivleniece, and Lazzarini, 2017, p. 767). This form of hybridity exists in public-private partnerships. Hybridity in organizational logics is a result of the combination of different logics leading to tensions while managing these two logics (Quelin, Kivleniece, and Lazzarini, 2017). Such hybridity exists in social enterprises. By using these two distinct logics, it is possible to identify different organization forms, as shown in Figure 1.

Insert Figure 1 about here

In quadrant 1, the hybridity of logic is high, and that of governance is low, and hence social enterprises fall in this category. Public-private partnerships with an emphasis on social value creation combined with an urge for financial gains fall in quadrant 2 where both types of hybridity are high.Public-private partnerships that are primarily driven by economic motives will occupy quadrant 3, where the hybridity in governance is high, and that of logic is low. Typical for-profit organizations fall in quadrant 4 where both types of hybridity are small.

Degree of Hybridity

I focus on social enterprises located in quadrant 1 and go deeper into the hybridity of logic. Shepherd, Williams & Zhao (2019) studied the concept of the hybridity of logics and explained the degree of hybridity in terms of hybrid relativity and hybrid intensity. Figure 2 shows the varying levels of relative hybridity in organizations with the relative importance of economic logic on the X-axis and relative importance of social logic on the Y-axis. As shown in this figure, social ventures that are not under pressure to generate funds for their survival, give high importance to social logic and low stress to economic reasoning and hence have small relative hybridity. However, in the case of commercial ventures, there is a high emphasis on economic logic and low focus on social logic, and hence the relative hybridity is low. Many social enterprises have a self-sustaining model, and give equal importance to both social and economic logics and hence have high relative hybridity.

Insert Figure 2 about here

Figure 3 shows the varying levels of hybrid logic intensity. Businesses like lifestyle businesses give low importance to both social and economic logic and have low hybrid logic intensity. As you go up on the line, the emphasis on both social and economic logics increases significantly, and hence the hybrid logic intensity also increases.

Insert Figure 3 about here

Figure 4 shows the degree of hybridity in terms of both hybrid relativity and hybrid intensity. As shown in the figure, self-sustaining social enterprises that equal importance to both social and economic logics are placed in the middle of the figure, where relative hybridity is high, and hybrid intensity is moderate. Social ventures that rely on grants and donations are placed on the top left-hand side of the figure, where relative hybridity is low, and hybrid intensity is high. Economic ventures are placed on the bottom right-hand side of the figure, where the relative hybridity is low, and the hybrid intensity is high.

Insert Figure 4 about here

Business Model Typologies of Social Enterprises

Social enterprises need business models that help them to achieve financial sustainability and social impact while managing social and business tensions. Managing tensions between commercial and social aspects is a critical gap in the literature (Margiono, Zolin, and Chang, 2018). Santos, Pache&Birkholz (2015) developed a typology of business models for SEs consisting of four models, namely Market Hybrids, Blending Hybrids, Bridging Hybrids, and Coupling Hybrids which help SEs to design and organize for sustainable value creation. This typology is shown in Figure 5.

Insert Figure 5 about here

This framework has been developed based on two dimensions, namely value creation and beneficiaries. In the business models of certain social enterprises, the clients themselves are beneficiaries, and in others, they are not. In certain business models, the value spillover is automatic, and in others, it is contingent. In Market Hybrids like SEs that operate in the renewable energy sector, the clients themselves are beneficiaries who pay for the services provided. In this situation, the value spillover is automatic. Microfinance companies are good examples of SEs which fall in quadrant 4, and they are classified as Blending Hybrids. In this case, the clients themselves are the beneficiaries, and value spillover is not automatic. An excellent example of a SE that can be classified as a Bridging Hybrid is a firm that trains disabled people to perform certain specific jobs. Here the clients and beneficiaries belong to two different groups, and the value spillover is automatic. Coupling Hybrids fall in quadrant 3, and an excellent example of such firms in that category is work integration social enterprises that train and support individuals who have been out of work for long durations to secure jobs. Here the clients and the beneficiaries are different, and the value spillover is not automatic. This typology is very helpful in understanding the nature of hybridity, which exists in SEs and overcoming the tensions due to hybridity. This framework helps SEs in gaining clarity regarding the roles played by their clients and beneficiaries and also to make informed decisions regarding the value creation. Consequently, their operations become much smoother leading to the smooth co-existence of social and economic logic.

Saebi, Foss & Linder (2019) proposed another typology of business models for SEs, as shown in Figure 6.

Insert Figure 6 about here

It has Social Mission on the X-axis and Economic Mission on the Y-axis. Quadrant 1 represents a two-sided value model where beneficiaries are the recipients, and commercial revenue cross-subsidizes social mission. Companies like TOMS shoes have adopted such a model by giving one pair of shoes free to the needy for every pair of shoes they sell. Quadrant 2 represents a Market-oriented work model where beneficiaries are part of the value creation process. Like in the case of the two-sided model, commercial revenue cross-subsidizes social mission. Companies that train and hire autistic people for IT jobs and those who teach and hire ex-convicts for various positions are good examples of such SEs. In the case of the Social-oriented work model represented by quadrant 3, beneficiaries are the

paying customers and are part of the value creation process. For example, Vision Spring sells affordable eyeglasses and offers paid employment to the poor to distribute and sell eyeglasses. Quadrant 4 represents a one-sided value model, where the beneficiaries are paying customers and are the recipients as well. Many SEs that provide affordable products and services to the public are examples of companies in that category. This business model framework is also beneficial for SEs in understanding the beneficiaries and the value creation process. They can reduce the tensions between social and economic logic as a result of this understanding.

Further Development of this Paper

I plan to develop this paper further by conducting case studies on some leading SEs in India. I plan to interview the founders and other senior managers in these SEs. I intend to develop a comprehensive framework explaining the antecedents and consequences of hybridity in SEs. This framework will also provide guidelines for overcoming tensions due to the social and economic logics in the context of SEs.

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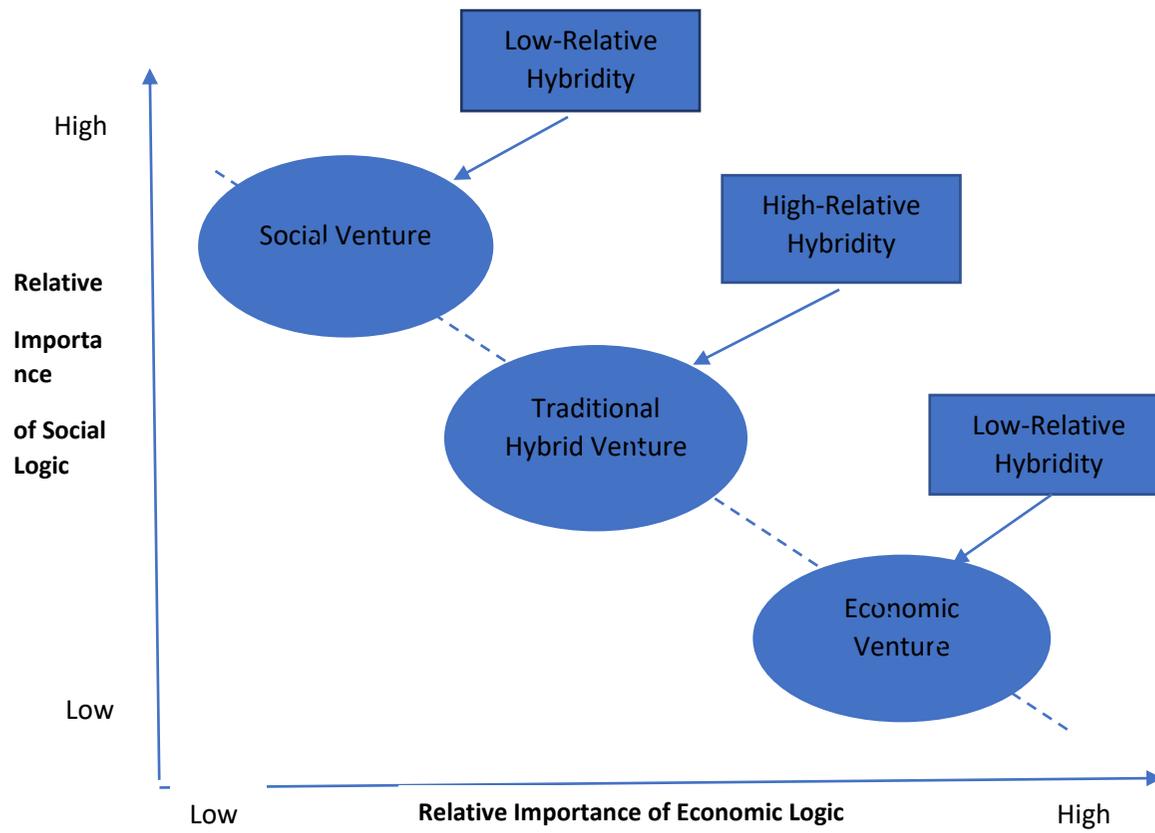
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Hybridity in logics	High	Social Enterprise 1	(Blended) socially oriented contract/partnership <i>Public-private partnerships or cross-sector alliances with emphasis on social benefits combined with the pursuit of economic/efficiency gains</i> 2
	Low	For-profit enterprise 4	Classic public-private contract/partnership <i>Procurement-based public-private partnerships or cross-sector alliances focusing on economic/efficiency gains</i> 3
		Low	High
		Hybridity in governance	

Adapted from: Quelin, Kivleniece and Lazzarini (2017).

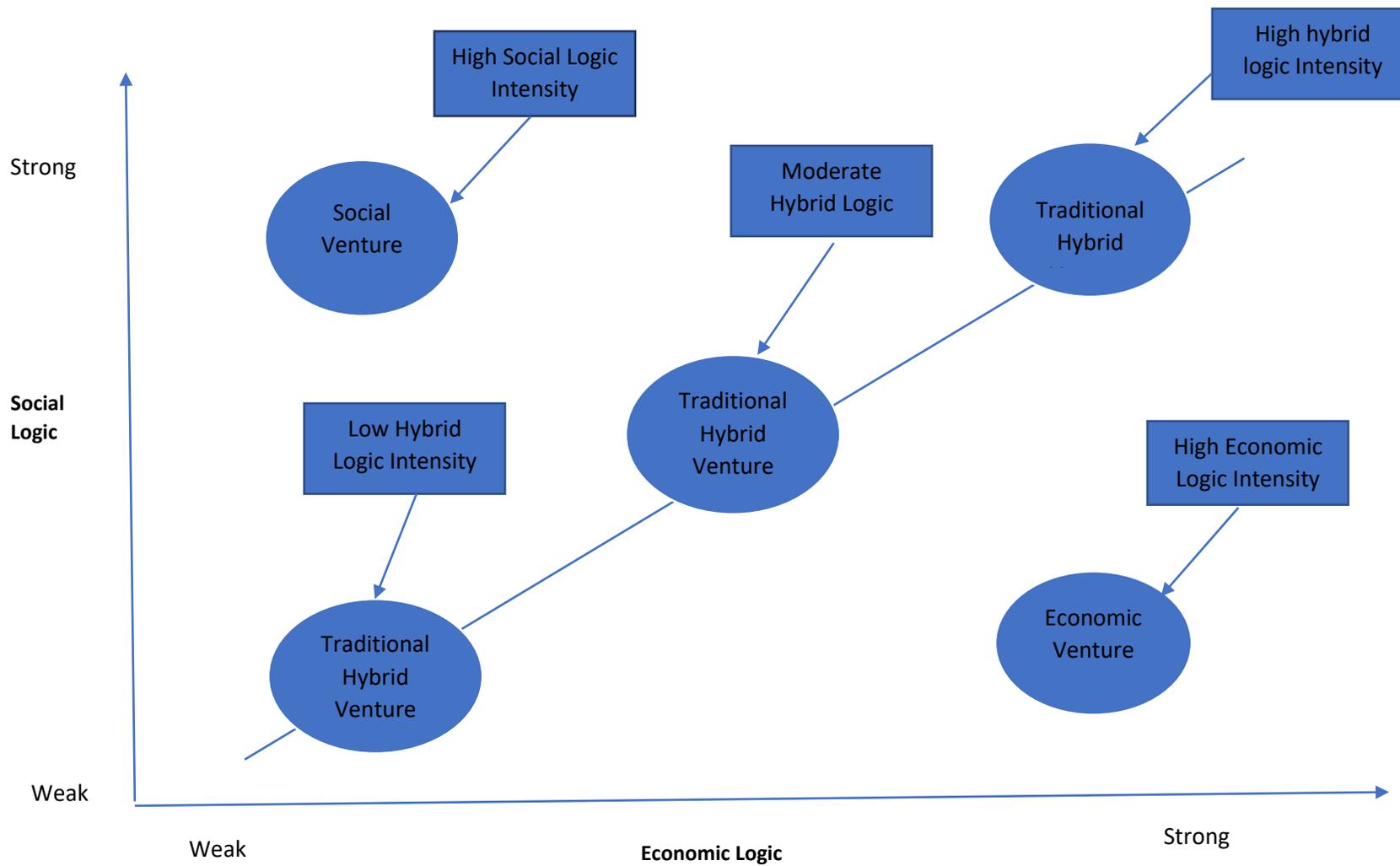
Figure 1: The Two Forms of Hybridity and Social Value Creation



----- Hybrid Relativity

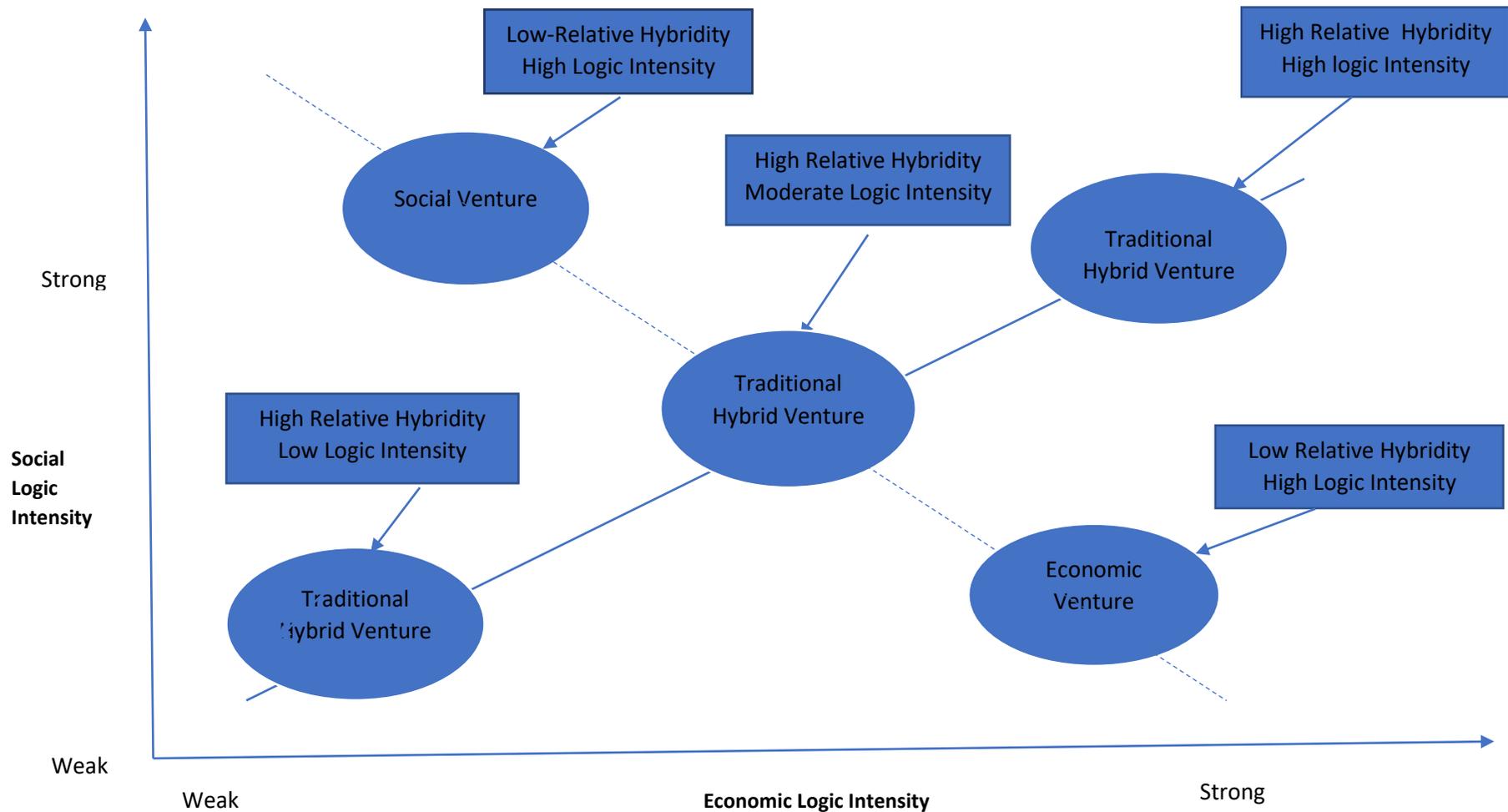
Adapted from Shepherd, Williams & Zhao (In Press)

Figure 2: Hybrid Relativity



Adapted from Shepherd, Williams & Zhao (In Press)

Figure 3: Hybrid Intensity



Hybrid Logic Intensity

Adapted from Shepherd, Williams & Zhao (In Press)

Figure 4: Degree of Hybridity

Dimensions	Clients = Beneficiaries	Clients ≠ Beneficiaries
Automatic Value Spillovers	MARKET HYBRID 1 Examples: SEs which provide basic services like energy, health and education	BRIDGING HYBRID 2 Examples: Integrated business model with job matching for people with disabilities
	Risk of Mission Drift: Low	Risk of Mission Drift: Intermediate (lower for more integrated models)
	Financial Sustainability: Easy	Financial Sustainability: Moderately Difficult
Contingent Value Spillovers	BLENDING HYBRID 4 <i>Examples: Microfinance, integration models that require regular support or change of behaviour for value to be created</i>	COUPLING HYBRID 3 <i>Example: Work integration social enterprises that require a dual value chain that serves both clients and beneficiaries</i>
	Risk of Mission Drift: Intermediate	Risk of Mission Drift: High
	Financial Sustainability: Moderately Difficult	Financial Sustainability: Difficult

Figure 5: Typology of Business Models for SEs—Santos, Pache and Birkholz(2015)

		Social Mission	
		For beneficiaries (beneficiaries are solely recipient)	With beneficiaries (beneficiaries are part of value creation process)
Economic Mission	Differentiated (commercial revenue cross-subsidizes social mission)	(Quadrant A) 1 Two-sided value model (e.g. TOMS shoes)	(Quadrant B) 2 Market-oriented work model (e.g. training and hiring autistic people in IT industry; training and hiring ex-convicts)
	Integrated (beneficiaries are paying customers)	(Quadrant C) 4 One-sided value model (e.g. VisionSpring which sells affordable eyeglasses)	(Quadrant D) 3 Social-oriented work model (e.g. VisionSpring also offers paid employment to the poor to distribute and sell eyeglasses)

Figure 6: Typology of Business Models for SEs – Saebi, Foss, and Linder (2019)