Towards understanding social enterprises as hybrid organizations

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Governance issues in different stages of organizational development

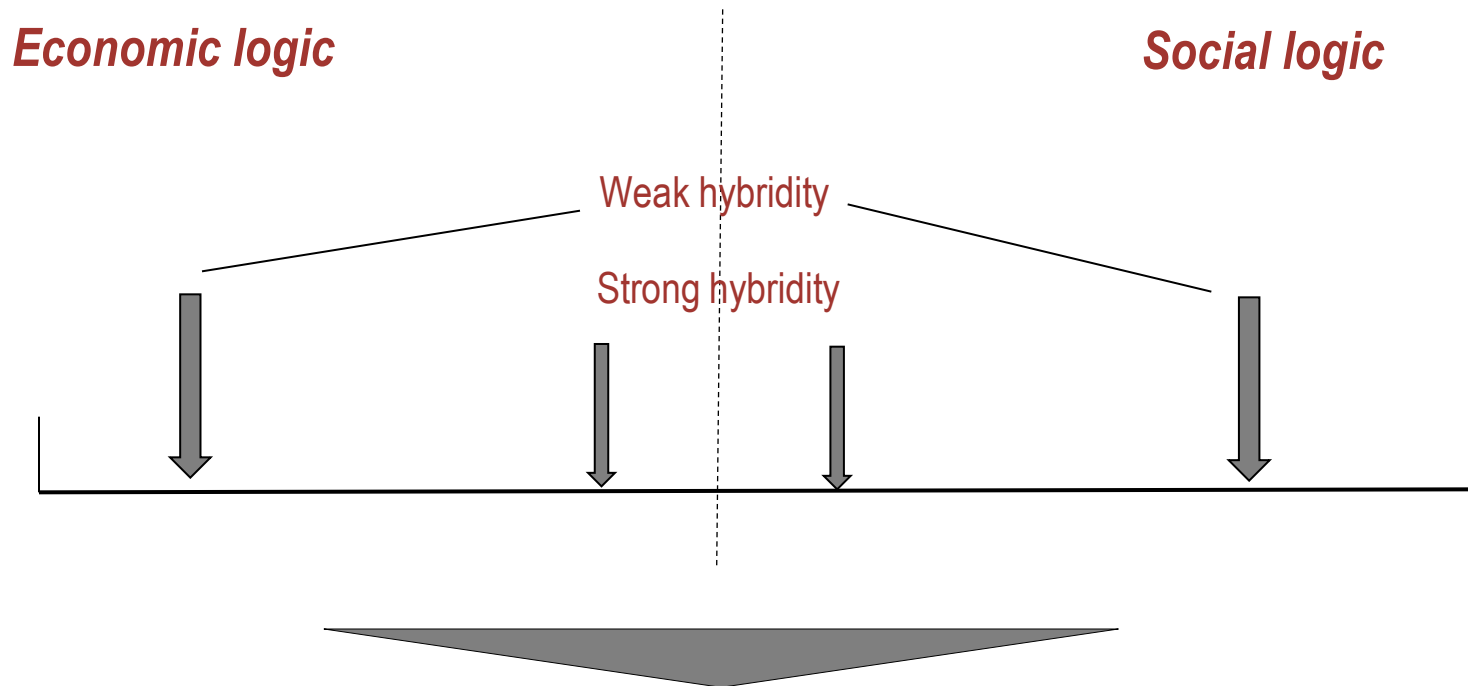*Masarykova Univerzita, Brno*

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Martin Hölz, M.A.

Agenda

- **Conceptual framework**
  - Social enterprises as hybrid organizations
  - Two "philosophies" of governance
  - Organizational development model of Pümpin/Prange (1991)

- **Empirical findings**
- **Conclusions and implications**

Economic logic   **Social logic**
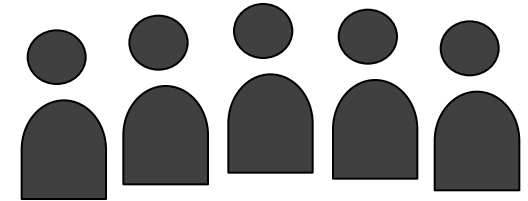
Weak hybridity

Strong hybridity

Social enterprises, social enterpreneurial organizations and non profit organizations with strong economic features as
strong hybrid organizations

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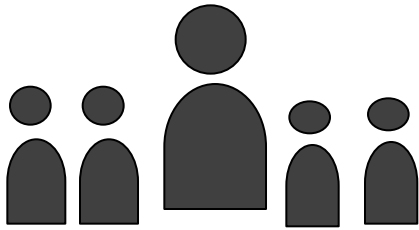
hierarchic, manager-focused

participative, stakeholder-focused

Stewardship models
Managerial /founder hegemony

- Top down decisions
- Based on expertise

- **Prevalent in econo...**
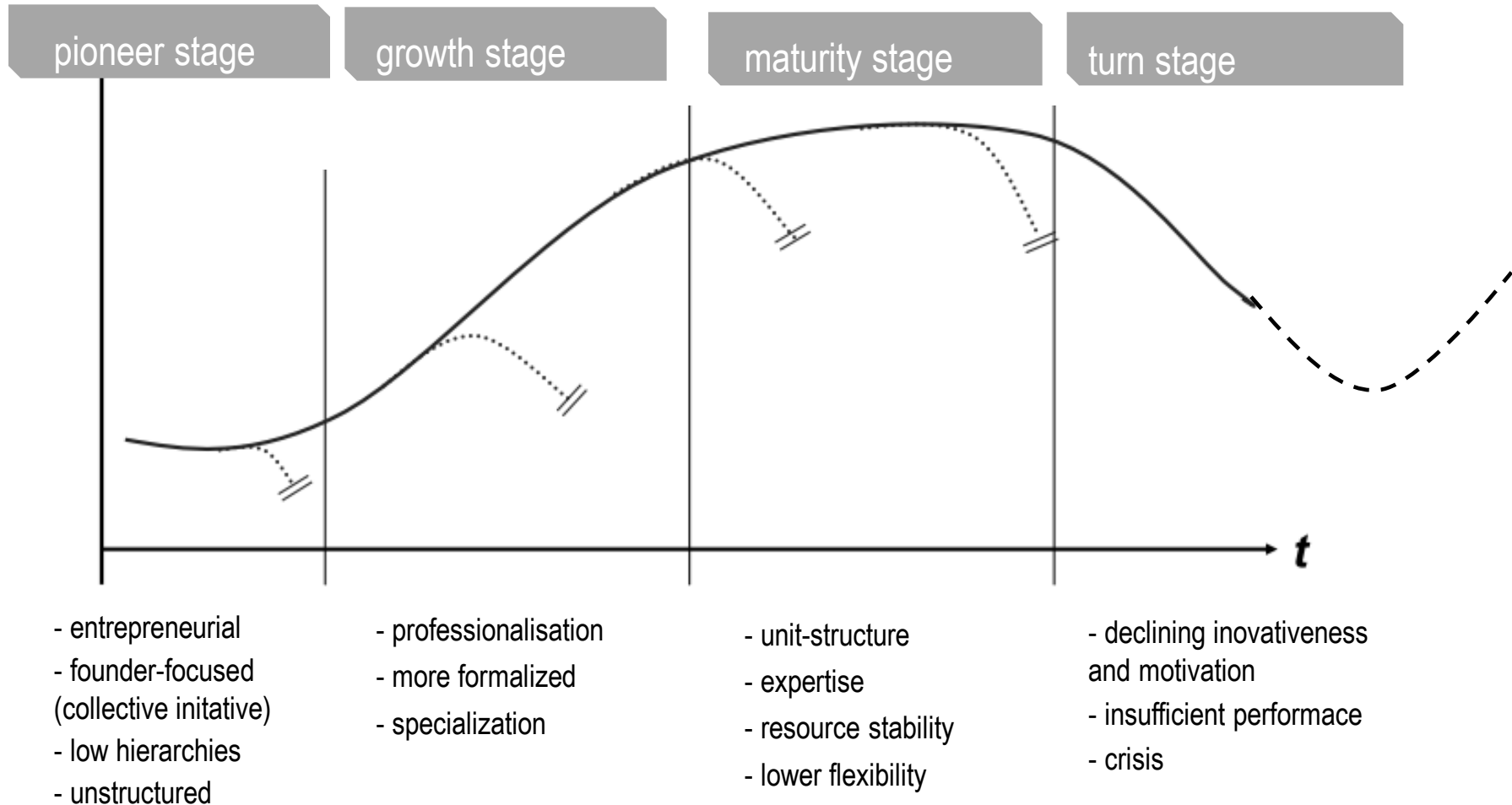
Democratic models
...eholder models

...tic decisions
...institutional background

- **Prevalent in social sphere**

hybrid governance approaches?

degree of stakeholder participation

Sources: Conforth 2003; 2004; Huybrechts 2010

Organizational development model: Pümpin/Prange 1991

pioneer stage | growth stage | maturity stage | turn stage

- entrepreneurial
- founder-focused (collective initative)
- low hierarchies
- unstructured

- professionalisation
- more formalized
- specialization

- unit-structure
- expertise
- resource stability
- lower flexibility

- declining inovativeness and motivation
- insufficient performace
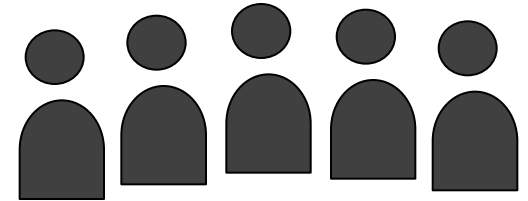- crisis

Sample:

- Heterogeneous *sample* [after purposeful sampling]
    - emergence circumstances
    - legal forms
    - size, and age
    - business models
    - fields of work

- 18 guideline-based *interviews* with founders or CEOs of hybrid organizations

- *Qualitative analysis* via grounded theory methodology and computerized assistance (Atlas.ti)

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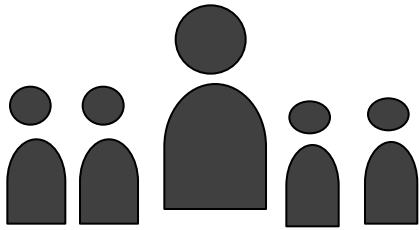
hierarchic, manager-focused

participative, stakeholder-focused

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In other words, I don t experience the decisions as hierarchically made, but very much based on arguments, not on power structures. It is a matter of mutual exchange, there is no board member that, as got decades of experience so he could dictate the issue.

[...] there are some decisions that have been made out of entrepreneurial loneliness.

Org. with founder-dominated governance approach, maturity stage

degree of stakeholder participation

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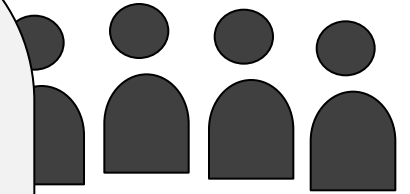
, stakeholder-focused

Hybrid

> It depends, for example the vision is aligned with the curatorship, and as well with the employees. [...] we hold a conference once a week where all employees meet. [...] there we discuss the week to come and make the important decisions altogether. […] If there are emotional decisions such as issues concerning our vision or our logo they will be presented and discussed in this Monday conference.
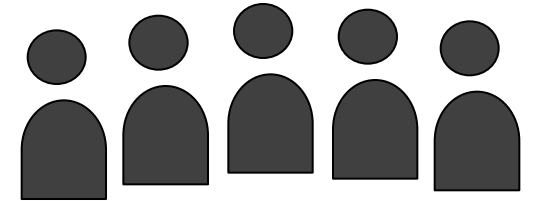>
> *Org. With founder-dominated governance approach, growth stage*

keholder participation
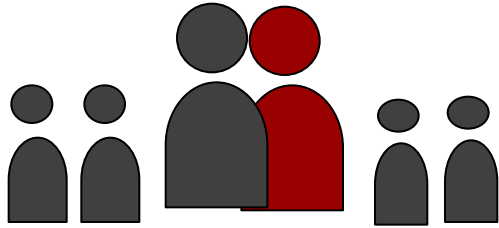
hierarchic, manager-focused
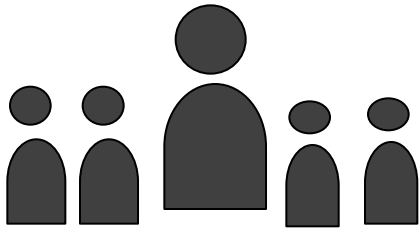
participative, stakeholder-focused

Questions of operating business that reach the board level land on his writing desk more quickly and probably; in return questions of orientation for the future, questions of identity formation and reinforcement, this rather depicts a task for theologians.
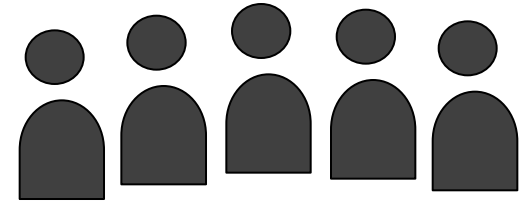
Org. with stewardship governance approach, post-renewal stage

degree of stakeholder participation

hierarchic, manager-focused

participative, stakeholder-focused

Now for example we have a project running that deals with solarfood-processing in Burkina Faso, this is located at the firm because it is a PPP Project and is financed by the Austrian Development Agency. As an association you can t do anything, there you have to drive another rail. On the one hand this is complicated, but to me it is a perfect situation, because I can say: "Okay, what kinds of call for projects are there? Do I write my project application via the association or are there furtherances in a commercial sense?"

Org. with stewardship governance approach, growth stage

degree of stakeholder participation
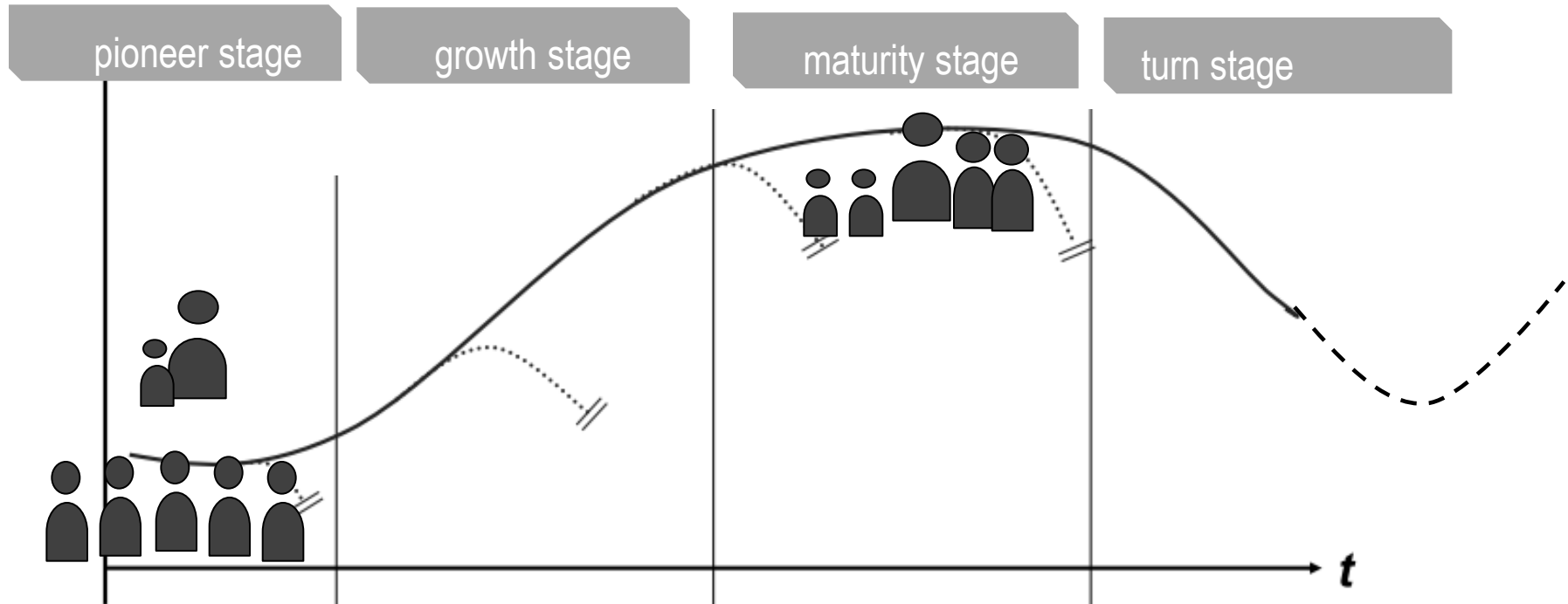
Most organizations developed along predicitions of organizational evolution theory

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pioneer stage

- Early drift towards manager-focused

The group consisted of 30 to 50 people; yes there were journalists, social workers, social scientist […] and additionally there were some 5 to 10 people concerned who were relatively active and who took part in the discussion and contributes some valuable ideas and other aspects, such as participative management in the board. […] But it became apparent that basically you will be in **need of personal resources** if you want to run the project for the longer term.

[…] If **you don't act now this will become a debating society**, and probably a quite intensive work of the Good Men done by middle classes. You don't have to rate this in a negative way, it is just like the other cases, the food bank or other areas where charity is done

Org. with stewardship governance approach, maturity stage

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pioneer stage

growth stage

- Higher attention and increased

Of course, we are now in a situation, we have got some XX 000 customers, you can't

Most of our corporations are quite big, they publish annual reports as well as annual financial statements, you can find them on the internet. Ten years ago we thought about that restructuration and spilt in a whole number of corporations, in order to **create non-transparency for the benefactors**, this was a firm goal. If they recognize by now that we plan a profit margin of 2% this will sound totally harmless, but if the social committee realizes: 2% margin are 2 to 3 million, I don't want to hear this outcry

Org. with stewardship governance approach, post-nenewal stage
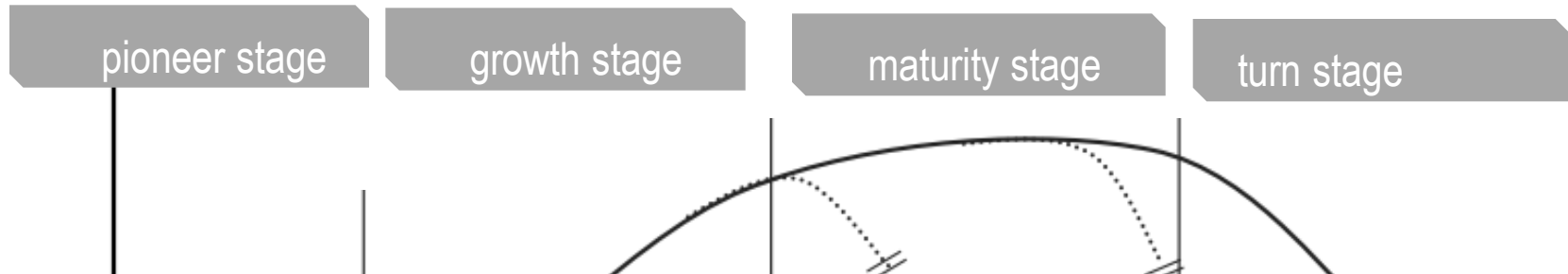
pioneer stage   growth stage

There are points of conflict, for example the issue on ***communalization vs. internationalization***. Of course there are different organizational logics that we are aware of. If somebody works in an association in Germany, he will be interested in earning as much money as possible for the association; he will be interested in our focus on Germany; we should not be distracted, we should not set ourselves up internationally, we should work off all state parliaments, then proceed to the communal level, and at the very end we focus on international projects. When somebody like us has the vision that we must handle international orders I represent the opposite pole who says: no, we handle the order from the US. ***This helps us in our argument to justify why international collaboration yields more resources to the project than the other way round***. If we set up this project in the US or in Ireland for example, this will mean that we will do this only in case the technical part is financed; from this the German organization will benefit. In this case the link is the LLC that is responsible for the technical aspects mainly. ***If the LLC is equipped with more resources, the association will benefit.***

Org. with stewardship governance approach, growth stage

pioneer stage   growth stage   maturity stage

[...] we regularly go outside and have a look around, is the seller present, how does he look like, does he have any problems, can we help him, sometimes there are a few issues concerning the environment, so you have to manage them.

Org. with stewardship governance approach, maturity stage
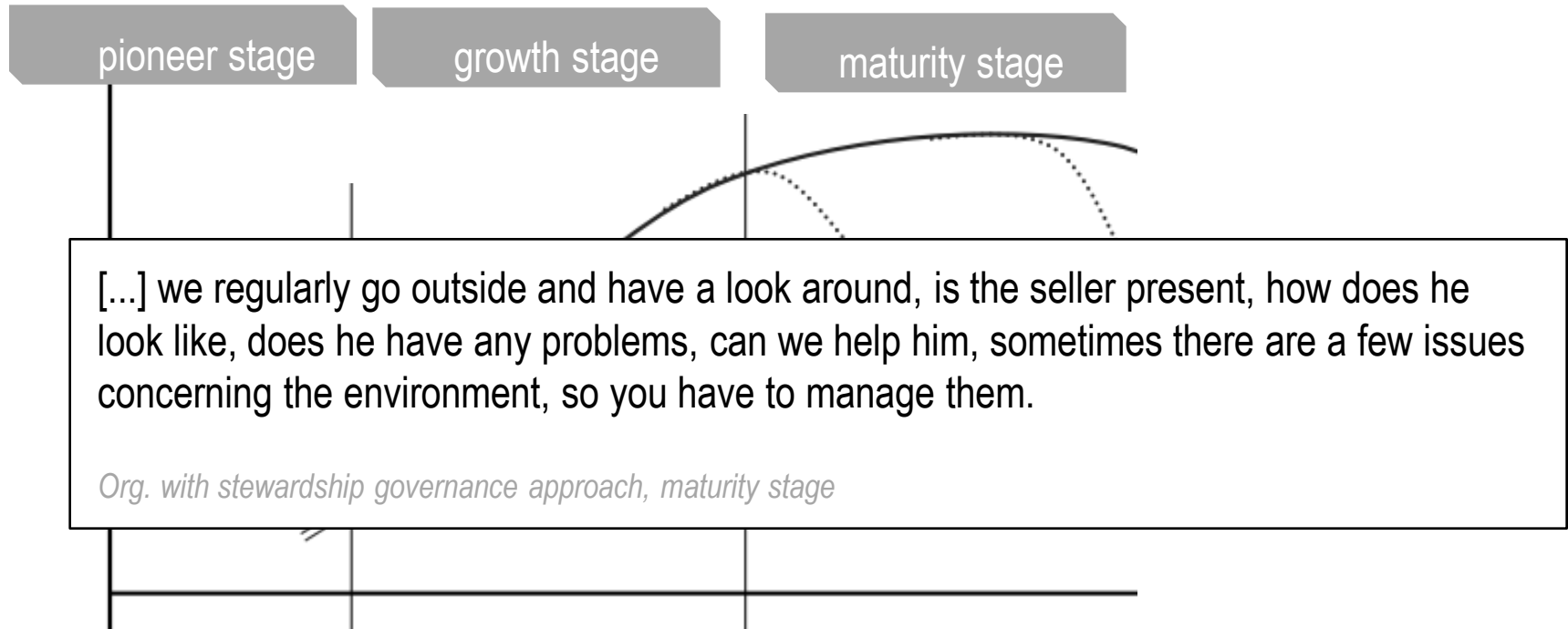
- Controlling or trusting employees?

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pioneer stage
growth stage
maturity stage
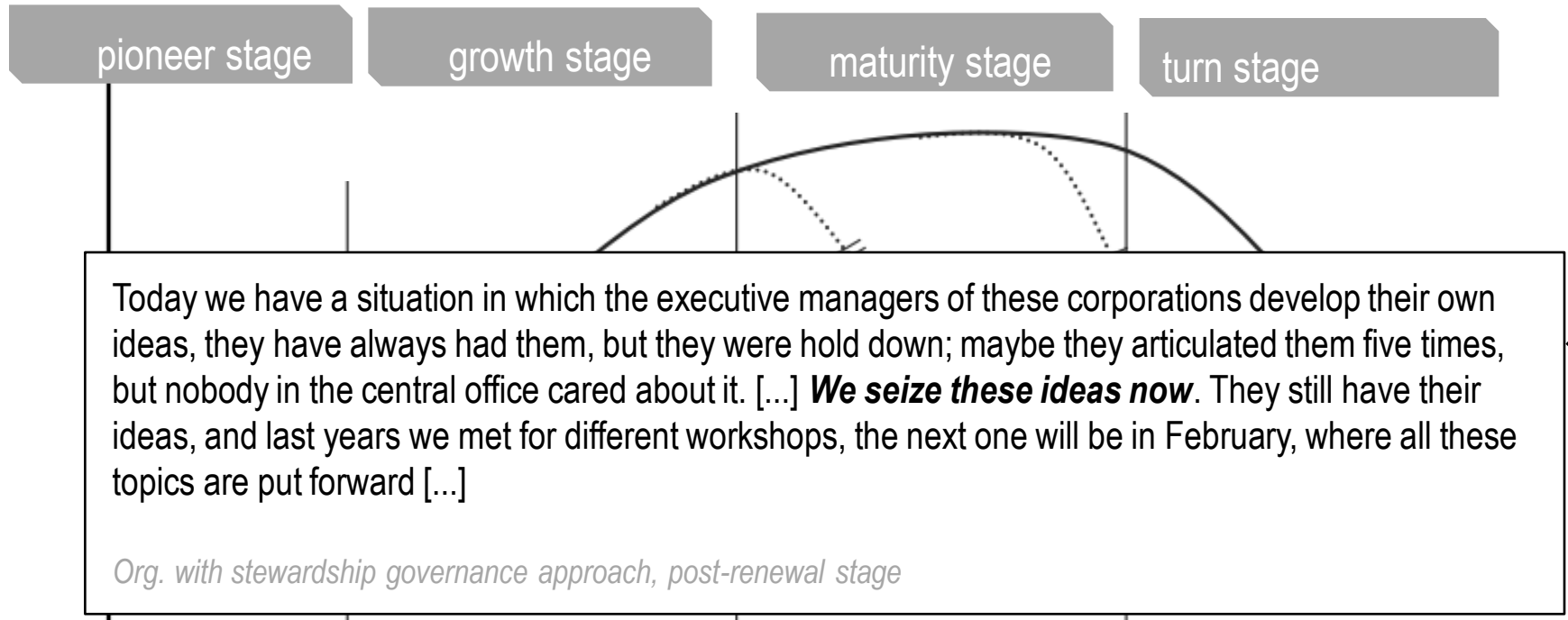turn stage

The thing was that you wouldn t reflect at all, critically reflect, together with others, what you had been doing, or whether your actions and behaviour are of social relevance, or whether there were clients that would demand our offer. We relinquished public funding because we didn't want to agree upon construction projects, we had no professional discourse, ***we had been a locked-in institution***. In my opinion this is the reason for this crisis, we forgot about the environment and focussed only on ourselves, [...].

Org. with stewardship governance approach, post-renewal stage

- Over-complexity and self-centration as reasons for crisis

| pioneer stage | growth stage | maturity stage | turn stage |

> Today we have a situation in which the executive managers of these corporations develop their own ideas, they have always had them, but they were hold down; maybe they articulated them five times, but nobody in the central office cared about it. [...] ***We seize these ideas now***. They still have their ideas, and last years we met for different workshops, the next one will be in February, where all these topics are put forward [...]
>
> *Org. with stewardship governance approach, post-renewal stage*

- Stakeholder participation as one renewal strategy

Conclusions

- Hybrid organizations in our sample rather tend to a hierarchic, manager-focused government approach…,

- … but with strong tendencies to participative, (internal)stakeholder-focused structures especially in social-issues

- Governance structures mostly develop along the predictions of classical organizational evolution theory

- Social enterprises can be described as hybrid organizations
    - double bottom line
    - hybrid tendencies within their governances structures
    - specific mixture of (legal) organizational forms

Research implications

- Methodological limitations indicate focus on methodological issues (representativity; longitudinal data gathering; measuring instruments for hybridity, organiational development stages etc.)

- Further *qualitative research* to identify innovatiness in governance structures, possible tradeoffs between philosophies, motives etc.

- Large scale *quantitative research* to find specifities for different areas of activity, cross-national comparisons on legal forms, on welfare state regimes etc.

Thank you for your attention!

martin.hoelz@csi.uni-heidelberg.de