SOCIAL ENTREPRENEURSHIP AND ITS HYBRIDITY IN DETERMINING RESOURCE CHALLENGES AND CHANCES

Abstract: In this conceptual paper the author aims to grasp what are the particular challenges and opportunities in social entrepreneurship in terms of resource access and mobilization, considering the hybrid nature of social enterprise. To this end the author points to the nature of hybridity and discusses what advantages and disadvantages are inherent in financial, human and physical resource access for social enterprises as hybrid organizations. This discussion is enriched by analysing intangible resources such as relational, institutional and cultural that distinguish social entrepreneurship as an institutional type of entrepreneurship as well.

Keywords: social entrepreneurship, social enterprise, resource, institutional entrepreneurship, hybrid organization.

JEL codes: D21, L20, L26, L31.

Introduction

Amongst the many streams of research where economists have looked into how entrepreneurship impacts on the economy and society as in in Schumpeter’s case. Another is where the focus has been on the person of an entrepreneur from the psychological or sociological perspective and the third

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important stream has appreciated the entrepreneurial process. So from the question of ‘who’ more focus has shifted towards ‘how?’. There have been plenty of definitions [Dacin, Dacin, and Matear 2010] where Stevenson [1983] acknowledges resource issues and defines entrepreneurship as ‘the pursuit of opportunity beyond the resources one currently controls’. This definition, apart from the emphasis on the recognition of opportunity, distinguishes the resource challenge that every venture faces at start-up. It is important for an entrepreneur to gain control over the resources. Austin, Stevenson, and Weiskillern [2010] elaborate that it is not important whether the resources are inside or outside the organization. They claim that the entrepreneurial organization does not focus on resources but on opportunity. For successful exploitation and deployment of an opportunity an entrepreneur needs to garner and deploy resources. In their review of social entrepreneurship definitions, Zahra et al. [2009] speak about the social entrepreneur’s ability to leverage resources aimed at addressing a social problem.

Across variety of definitions social entrepreneurship and social enterprise organizations, in different institutional settings, have evolved the following different institutional trajectories. Social entrepreneurship is considered as a hybrid phenomenon as it is found in the three sectors: public, private and third sector which results in its dual organizational form and identity. The interest in the concept is the result of how strongly it has been promoted by policy makers which has made organizations from different sectors use it as a label too [Teasdale 2010b]. Overall social enterprise has become a hybrid organizational form that needs to employ both: for profit and non-profit approaches. This is a natural outcome of the social and commercial aim they pursue and the dual identity that they display. As a result social enterprises, as hybrid ventures aim to pursue their social mission and financial sustainability. Social enterprise can acquire resources from different settings i.e. one being more closely related to the achievement of the social aim usually associated with charity and non-profit activity. The other is related to economic sustainability such as enterprise in the private sector. The incorporation of the two organizational forms in one hybrid may create more opportunities and creativity but, at the same time, social enterprise may face different challenges ahead as regards access to resources. It needs to respond to tensions between what is social and economic for different stakeholders and actors and position itself between two different institutional logics. In this conceptual paper, through a review of the literature, the author aims to look at resource issues, takes a closer look as to how the hybridity in social enterprise and in social entrepreneurship
shapes resource access, resource utilization and resource mobilization and what challenges and opportunities it creates.

1. Social entrepreneurship and social enterprise as hybrid organizations

There is an abundance of definitions of social entrepreneurship [Dacin, Dacin and Matear 2010]. Zahra et al. [2009] in their review speak about ability to leverage resources aimed at addressing a social problem. Also Stevenson [1983] emphasizes the very nature of entrepreneurship as the pursuit of opportunity regardless of the amount of resources at hand. Following this three schools of thought have emerged as regards the discussion of social entrepreneurship and social enterprise concept. The first two: the earned income school of thought and social innovation, were established in North America [Dees and Anderson 2006]. The former emphasizes social enterprise as any activity aimed at fulfilling social mission through earning income, the latter focuses on the social change delivered by enterprise through innovation in the Schumpeterian sense – this approach has been popularized by the Ashoka Foundation. The third – EMES approach [Defourny and Nyssens 2012] has emerged in the European context offering nine criteria of social enterprise (economic, social, governance) as an analytical reference, where social enterprise can be specific for each country context and should only be analytically compared with the ‘ideal Weberian model’ [Ciepielew ska-Kowalik et al. 2015]. EMES school strongly emphasizes the participatory nature, local community setting and the continuous economic activity involving economic risk.

Following this discussion in Europe, social enterprise is associated with non-governmental forms of enterprise that include cooperatives or non-profit organizations with the purpose of solving employment needs of marginalized groups [Kerlin 2006; Young 2008]. On the other hand, in the US context, ‘social enterprise’ refers to commercial ventures amongst non-profit organizations in a wide array of public service activity [Young and Salamon 2002]. Some other scholars think of social enterprise as any organizational form, between a public and private nature, that delivers social innovation [Dees and Anderson 2006].

There are many interpretations of the term ‘social enterprise’ amongst academics, practitioners, policymakers in the business, public and NGO sector and also in different geographical contexts. Consequently a grow-
ing number of researchers, practitioners and policymakers have come to acknowledge social enterprise as a kind of hybrid organizational form that combines economic enterprise with the achievement of social aims across different sectors. This is reflected in the legal institutional framework of some countries such as the UK, Italy and Belgium where special legislation introducing social enterprise organizations has been introduced to allow an organization to receive a social enterprise label regardless of their legal-organizational form [Kerlin 2006; Young 2008; Doherty, Haugh, and Lyon 2014].

In the wider approach social entrepreneurship encompasses a variety of activities from the non-profit sector (e.g. activity of a pure non-government organization), through social entrepreneurship in a corporate setting, to commercial ventures having a social purpose. Alter [2007] provides an overview of hybrid forms as representations of social enterprise ranging from purely commercial to pure non-profit ventures, both with the priority of social value before economic value achievement as a distinguishing feature. Without doubt social entrepreneurship encompasses hybrid organizational forms combining for- and non-profit approaches [Austin, Stevenson, and Wei-Skillern 2006].

Social enterprises are cross the three sectors: public, private and non-profit sector. Accordingly they bridge different institutional fields of each of these sectors and face a different logic that is not always convergent. Each sector has its own organizational template [Billis 2010]. In the public sector the purpose is public benefit in organizations owned by the state and citizens, whereas revenues come from taxation. The private sector follows market and for-profit logic, where financial return is what drives enterprise activity, shareholder value maximization is at stake and revenue is generated from market activity. In the non-profit sector aims can be social or environmental, organizations are owned by members and revenues come from membership fees and donations. Organizations are managed by members themselves and they employ both volunteers and paid staff. In the third sector usually the non-profit distribution rule determines the destination of profit.

The setting across the three sectors, particularly between for- and non-profit logic, is what makes the hybrid organizational forms. They are expected to fulfill a social mission and at the same time maintain financial sustainability, following both the social and commercial aims. Resulting from this a dual identity of social enterprise emerges. The different organizational templates in which social enterprises are set impacts upon the
complexity of the management processes employed, where some actions and behaviours are natural for for-profit activity, whereas others reflect non-profit logics.

Because social enterprises operate in different sectors they introduce new norms as new organizational forms. For Dacin, Dacin, and Matear [2010] social entrepreneurs are institutional entrepreneurs as they mobilize resources to change or influence institutions for the purpose of supporting or introducing, replacing or destroying institutions [DiMaggio 1988]. Dacin, Dacin, and Matear [2010] provide an example of the Aravind Eye clinic and the Grameen Bank Both changed the perceptions, routines on a higher, institutional level, not only solving the health and poverty problems of individual people, but through changing the thinking about the possibilities of getting out of poverty, letting women be more enterprising and giving the poor access to standard health care. Their programmes and solutions have become established in the institutional framework of other developing countries and found followers. This has changed the socio-economic status of many people, with a global impact. But when discussing social entrepreneurship as an institution, apart from innovative, institutional solutions to large-scale, pertinent social problems, solutions with a micro impact should be considered as well. The spread of work integration social enterprises has changed the landscape of thinking about the employment of marginalized groups, the need for using and building their skill potential, even though these activities have usually been practiced in local communities.

But the institutional nature of social entrepreneurship is also manifested in the hybridity of social enterprise organizations. One important, intangible resource for all kinds of entrepreneurs is legitimacy. Whilst considering social entrepreneurship and its hybrid organizational form it has to be said that it is associated with the liability of newness in many institutional contexts. It has not reached maturity in academic discussion and, in practice, social enterprise organizations have not built their own organizational field [Ciepielewska et al. 2015]. Therefore hybrid social enterprise organizations have tried to embed themselves in existing institutional frameworks facing conflicting, diverse institutional logics. They have contributed to the field of research and practice of social entrepreneurship.

It may seem paradoxical but social ventures are more likely to be successful in the context of institutional voids in emerging, underdeveloped economies, where social problems abound [Mair and Marti 2009; Dacin et al 2010] and resources are scarce [Mair and Marti 2006; Di Domenico et al 2010]. It is because the institutional framework is not so constrained
or heavily loaded and established. It is bound by existing professional, legal, lobbying institutions and there are many institutional voids that can be filled by social activity. But most importantly, because the innovativeness of social enterprises can turn resource constraints into market opportunities.

2. Social enterprises as hybrid organizations – resource challenges and chances

2.1. The two sides of hybridity

Social enterprises as hybrid organizational forms lead to the requirement for the following two aims – social enterprises pursue: financial sustainability and social mission, as their main characteristics. This hybridity impacts upon resource acquisition [Doherty, Haugh and Lyon 2014]. They need to balance the management using two, sometimes even three, logics of: the private, non-profit or even state sectors. This leads to internal and external tensions that arise from differences between particular sector logic and determines resourcing issues. At the same time, being set across different sectors, social enterprise as a hybrid form, can create more opportunities as regards resource access and mobilization.

Social entrepreneurs, just like any other entrepreneurs, aim to keep their organizations sustainable, whilst combining financial, physical and human resources. They derive this from market sources, in a form of revenue from sales of goods and services and non-market sources such as grants from government, other grants, donations and philanthropy; as well as non-pecuniary resources such as volunteer work, physical assets, social capital. In the UK it is emphasized that physical resources have become promoted as an independent stream of resources that needs to be acknowledged [Haugh 2006]. The hybridity of social enterprise is manifested in the variation in revenue streams. For Lee [2014] hybrid social enterprises ‘combine aspects of business with charity’. The elements of charity mean voluntarism, reliance on donations (non-profit approach) whereas business aspects mean selling products or services, seeking commercial funding and employing professionals with business experience (for-profit approach). The inherent dual nature of social enterprises leads to particular chances and challenges regarding resource mobilization. This is discussed below.
2.2. Hybridity and financial resources

Social enterprises are financed by funding-mix [Peattie and Morley 2006]. One of the common requirements for social enterprise is trading activity as one of the elements of the funding-mix. As earned revenue it is considered to be the most flexible source. Other, non-revenue financing sources, include different types of venture capital, commercial and non-commercial debts, funds and grants from foundations, private support [Haugh 2006] or grants from government agencies. It should also be emphasized that the social mission attracts sensitive individuals and groups such as the ethical consumer or other organizations and encourages them to act in a socially responsible way. This increases demand for social enterprise products and services and works as additional source for revenue generation [Doherty, Haugh, and Lyon 2014]. But the realization of social mission means the internalization of social costs – this impacts upon the economic value creation and a decrease in economic benefits. A famous example is often given to explain the phenomenon of dual pricing. In Fairtrade manufacturers are paid the price that is often higher than the market price but this helps the organization to achieve social aims. Lower profits make social enterprises less attractive for external investors which may reduce market revenues. This is the case when we talk about tensions between social aims and economic sustainability resulting from hybridity in a social venture and the considerations as to what priority should be given to social mission achievement. In some contexts, as in the UK, in response to the challenges in the trade-off between the social and the economic aims, two different legal and organizational forms are created where one is created to trade, to access capital and the other to receive fiscal benefits and keep the charitable status.

2.3. Hybridity and human resources

Amongst the human resources involved in social enterprise, employees, managers, trustees and volunteers are distinguished. The priority of the social mission may mean compromising on the quantity and quality of human resources employed.

As mentioned in the earlier part of this work, social enterprises can rarely afford to pay market rates for its key people [Oster 1995; Austin, Stevenson, and Wei-Skillern 2006]. Social enterprise board members are less often remunerated adequately [Doherty, Haugh and Lyon 2014; Stone and Ostrower 2007]. This means that social enterprises have lower possibilities
of recruiting people with both commercial and social enterprise experience and understanding [Doherty, Haugh, and Lyon 2014; Smith 2010].

It has been demonstrated that the social dimension of hybridity has helped social enterprise leaders to involve and generate additional effort on the part of workers (extra work hours), involvement of volunteers and other actors [Batillana and Dorado 2010; Haugh 2007; Doherty, Haugh, and Lyon 2014]. Although volunteers are a valuable resource for social enterprise, they generate more staff turnover as they are free to withdraw from the enterprise [Doherty, Haugh, and Lyon 2014; Liu and Ko 2012]. Also their lack of sufficient skills reflects voluntary failure [Salamon 1987]. To attract additional human resources and their effort, social enterprise needs to use non-pecuniary incentives for motivation. One of these incentives, but at the same time an outcome, is community experience, social capital and the resulting work atmosphere of a social enterprise [Starnawska 2015]. Not only the founders but also members and employees, come from local communities and embody participatory involvement in solving surrounding social problems. It is also particularly important to recognize volunteers as important partners in the enterprise as they may focus more of their attention on external stakeholders [Cornelius et al. 2008].

Some groups of human resources involved in the enterprise require additional effort and attention. Work integration social enterprises that employ their clients as beneficiaries are the case here. By employing the groups disadvantaged in the labour market they fulfill their social mission. In fact the enterprise deliberately does not consider the skills and competence of the employed and what is important is that these people get employment. What is more some of these groups require additional attention or supervision in their employment due to their disabilities and constraints. This category of social enterprise helps to achieve social mission and incorporates social costs at the cost of lower economic performance. But also other organizational forms of social enterprise report recruitment challenges in terms of the right skills and compliance with the organization’s mission [Peattie and Morley 2008].

Overall human resource challenges for social enterprises are complex and they exemplify the tensions between the drive for social goal achievement and economic performance.

2.4. Physical resources and hybridity

It is rare for private enterprises to be endowed with physical resources but social enterprises, as hybrid forms, can be given some physical assets from
their donors. This refers to both equipment, machinery and tools but also raw materials. They also get involved in deliberate actions of collecting waste and materials discarded by others. Whilst doing this, they implement their social or environmental aims and manage to reduce costs. This upcycling approach has recently become popular amongst some social enterprises. But also, when constrained by the amount of resources, social enterprises employ elements of bricolage ‘making do by applying combinations of the resources at hand to new problems and opportunities’ [Baker and Nelson 2005]. This not only refers to the physical resources at hand but in fact, considering the resource challenges social enterprises face, they display the skill of combining all kinds of resources into a consistent social and economic value that is their particular feature.

3. Hybridity – challenges and chances in the institutional dimension

Social enterprises as hybrid organizational forms display complexity as they need to recombine resources and organizational templates from different organizational forms [Lee 2014; Pache and Santos 2010]. Research has provided arguments that hybridity gives additional access to new resources, new combinations of resources, leads to creative friction, better ability to respond to dynamic environment [Jay 2013; Lee 2014; Smith and Lewis 2011; Stark 2009]. This can be explained by various networks in which social enterprises are set and the resource constraints they face, being pushed to make do with resources at hand [Baker and Nelson 2005]. In this respect hybridity works as an opportunity and advantage for social enterprises. On the other hand, hybrid organizational forms have to face different institutional pressures that come from different, sometimes conflicting, institutional logics. For example – charity, non-profit sector logics, involving volunteering, reliance on donation has, for a long time, eschewed anything of a commercial nature whereas in the private sector, it is not expected that a private enterprise will receive donations. The innate logics of human resource management in the private sector involves professional methods of recruitment, assessment. In non-profit logic there is a strong reliance on volunteer work and many non-profit organizations do not use professional recruitment methods for finding employees or volunteers. Accordingly the appearance of social entrepreneurial forms generates tensions and instability in different areas of resource access, mobilization and use
[Batillana and Dorado 2010; Besharov and Smith 2012; Lee 2014] in the hybrid, complex organizational form such as social enterprise. This bears consequences for financial and human resource acquisition. Lee [2014] discusses challenges as regards raising financial resources. Firstly the liability of newness, as hybrid forms are not established organizational forms in institutional frameworks in many countries and it is arguable whether they have potential to become established as such. Therefore they have difficulty in acquiring cognitive legitimacy as hybrids can be neglected as either non-profit organizations or private, market-based enterprises. As a result they may need to counter the perception of instability or uncertainty in their environments. As for the second challenge, he suggests that social enterprises may find it difficult to gain funders and that they need to show that they are high quality representations of each kind of sector they represent.

Thanks to hybridity social enterprises span boundaries, manifest organizational flexibility and get better access to resources and achieve different types of legitimacy [Pontikes 2012; Doherty, Haugh and Lyon 2014; Minkoff 2002]. This may require impression management that involves building different narratives for different stakeholders [Teasdale 2010b; Doherty, Haugh and Lyon 2014]. What can strengthen the position of hybrid form of social enterprises is their social mission that can become a source of legitimacy [Dart 2004; Doherty et al. 2014]. ‘Social identity’ helps to make a good impression in the environment so the legitimacy itself is a source that can be leveraged and help to get access to and control other resources. Also, as Dacin, Dacin and Matear [2010] suggest, social enterprises leverage relationships with a variety of actors or stakeholders as they often respond to local problems, are embedded in their communities and have strong relations with others. The ‘for-profit identity’ may also generate legitimacy. Potential partners for social enterprise are able to evaluate their financial sustainability and the risks related to the enterprise. Also other parties, such as donors and sponsors, can appreciate the effort to move from charity status to commercialization, that can secure the sustainability of the venture and its impact.

The dual identity, that can be used as an advantage, may in turn, work to the disadvantage of social enterprise. For market actors, social enterprises may be considered as inappropriate business partners, not providing good quality products and not financially sustainable. For the non-profit sector they may appear too commercialized and too profit oriented, foregoing the ideals of voluntary and a charitable spirit. But this is the situation of tension in which social enterprises operate and they need to balance it accordingly.
4. Intangible assets specific for social enterprise – relational, institutional and cultural resources

Dacin, Dacin and Matear [2010] offer an interesting look at resourcing for social entrepreneurship. They consider and analyse resources on a different conceptual and analytical level. They discuss three types of resource bundles – relational, cultural and institutional. Social capital and social skills that are relational resources are set in the entrepreneur’s network but what constitutes a real advantage are the unique capabilities created thanks to the relationship between an entrepreneur and other actors. These authors make an interesting point in claiming that social entrepreneurs do not mobilize resources for the purpose of competitive barriers as in a commercial entrepreneurship. They share resources and use them in a ‘cooperative fashion’ which can be the distinguishing feature between social and commercial entrepreneurs. This particular bundle of resources works as a chance for hybrid social entrepreneurial organizations as the entrepreneurs build extensive networks with different actors. On the other hand relational capital is derived from the variety of stakeholders to whom social enterprise is accountable. Another bundle of resources is cultural such as informal institutions of norms, values, perceptions and beliefs. An entrepreneur should know, learn to know and use the existing norms of what is acceptable or not. Dacin, Dacin and Matear [2010] use the case of the Aravind Eye Clinic suggesting that this particular type of eye surgery clinic would not be of a viable standard in developed economies. Accordingly the solutions to social problems provided by social entrepreneurship should fit into the existing institutional – informal and formal – framework. Good understanding of informal institutions can work to the advantage of the hybrid form as social enterprise may manage different narratives and aim to make different impressions, as long as they do not create conflicts within an organization. Another group of resources used by social entrepreneurs are institutional. By institutional resources they mean the political and legal framework. In fact, in the literature, they are treated as institutional barri- ers. But, as the author suggest, although underdeveloped institutions or the lack or institutions can work as a barrier to entrepreneurial development, institutional voids can be considered as an opportunity by social entrepre- neurs. Lack of one resource may lead to the solution which leads to overcoming the existing barriers. In a way social entrepreneurs do not leverage existing institutional resources but respond and address the lack of different institutions in a variety of contexts. What this means is that social entrepre-
neurship emerges in resource-poor environments [Mair and Marti 2006]. Therefore social entrepreneurship is institutional entrepreneurship per se. Social entrepreneurs as institutional change makers need to display ‘social skills’ – the ability to negotiate, build alliances and do networking for the hoped change Fligstein [1997]. They need to make efforts to secure access to resources and gain legitimacy across a wide spectrum of stakeholders. The use of social skills is particularly important in efforts to change perceptions, discourse, approaches and thinking about solving particular problems.

Conclusions

The author is aware that the social enterprise as a hybrid organization concept and phenomenon is not discussed here with reference to a particular region or country which makes resourcing challenges and chances applicable in specific contexts. However the paper aims to address social enterprises everywhere. As a result it is a challenge to put forward universal claims about resourcing issues amongst them. The author hopes, however, that this demonstrates the need further research in the context of individual or comparative country studies [Teasdale 2010b] with reference to resource issues.

In this conceptual paper the author takes a closer look at social entrepreneurship as a hybrid organizational phenomenon, located across three sectors: public, private and non-profit, and aiming to achieve both social mission and financial sustainability. Resulting from this hybridity and duality, some relevant challenges and chances related to resources are put forward. Whilst doing so it is demonstrated that the hybridity of social enterprise creates both advantages and disadvantages for resource access, mobilization and utilization. To this end the author comments on the importance of social skills and relational capital as critical capabilities and resources for accountability to a variety of stakeholders and the sustainability of the social enterprise. The author also suggests a broader look at resources, bearing in mind the institutional nature of social enterprise as a hybrid organization. By arguing that social entrepreneurship is similar to institutional entrepreneurship it is claimed that social enterprises as hybrid organizations themselves face liability of newness to gain legitimacy in different organizational fields. Overall there is no definite claim as to whether hybridity of social enterprise acts as a barrier or help in their resource access and mobilization. The author hopes that attention has been drawn to some relevant issues concerning this problem.
References


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