**How hybrid organizations respond to multiple institutional logics: The case of Norway**

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**The sustainability of hybrid organizations in an environment marked by competing institutional logics: the toolkit approach**

**1.0 Introduction**

Research has demonstrated a pattern of great change in the traditional way of organizing within organizations (DiMaggio and Powell, 1983). Indeed, there exists a variety of instances where organizations encounter institutional environments that exert pluralistic and often contradictory demands (Kraatz and Block, 2008). On the one hand, nonprofit organizations previously being permeated only by social institutional logics are now gravitating toward a market logic (Maibom and Smith, 2016), while for-profit organizations are becoming more aware of and influenced by a social institutional logic, e.g., through CSR, on the other. This has led the scholarly attention on strategies and organizational models of organizations incorporating a logic duality, especially related to strategies that address the sustainability of social welfare (Jay, 2010).

Organizational efficiency is a current demand spread out in all three sectors, in which new ways of organizing respond to current, well-known market conditions. These new strategies are rooted in the combination of institutional logics in new cross-sectorial ways, creating so-called hybrids (Maibom and Smith, 2016). Hybrid organizations decipher and combine multiple organizational logics and forms through their goals, structures, processes and activities (Jay, 2010). Hybrid organizations can be defined as organizations that “draw on at least two different sectoral paradigms, logics and value systems” (Doherty et al., 2014), thus by nature, they can be considered arenas of contradiction. Social enterprise (SE) is a type of organization that pursue a dual mission: they are both looking to achieve a social mission and secure the enterprises’ financial sustainability. When SEs combine these contradictory paradigms, they craft unfamiliar combinations of activities more often than not in institutional environments in which a supportive ecosystem may not yet exist (Battilana et al., 2012). Consequently, they do not fit neatly into conventional categories of private, public and voluntary organizations (Doherty et al., 2014), and they can thus be considered a key example of a hybrid organizational form (Pache and Santos, 2012) since they bridge the institutional fields and face competing institutional logics. A significant body of research has investigated the consequences of multiple logics and how SEs respond to them (Maibom and Smith 2016; Woodside 2018; Pache and Santos, 2013). By building on the seminal contribution to the research field by Pache and Santos (2013) who investigated the strategic organizational responses to competing institutional logics of five work integration social enterprises (WISEs) in France, the objective of this paper is to employ their theoretical arguments and explore how five WISEs respond to an organizational environment marked by competing institutional logics in the Norwegian context. Against this background, I investigate the following research question: How do Norwegian WISEs experience and respond to an environment marked by multiple institutional logics?

In this article, SEs are understood as organizations that use market mechanisms to address social issues (Mason and Doherty, 2015). Opposed to being driven by the need to maximize profits for owners and stakeholders, SEs’ surpluses are principally reinvested for the social purpose in the business or the community in which the business operates. The term “WISE” is used for SEs focusing on the unemployment of disadvantaged groups within a community, be it locally or nationally. WISEs and SEs in general encounter challenges, in part, due to their inherent duality embodying both social mission and market logic, two ideals potentially contradictory to one another (Woodside, 2018). They may therefore be considered a prime example for studying how hybrid organizations experience and respond to multiple institutional logics as they themselves are organizations that incorporate elements from both worlds. Throughout the article, I employ the terms SE and WISE interchangeably.

In the following, I present the field of SE in Norway and the institutional context in which the WISEs operate as well as the two dominant logics within the field. Second, I introduce the theoretical framework before outlining the methodological choices and considerations. Next, I present the main findings, followed by a discussion and the concluding remarks.

**2.0 SEs in Norway**

SE is considered a multifaceted phenomenon with several tentative definitions rooted in its dual emphasis on generating both social and economic value. In Norway, the SE field is considered incipient (Enjolras et al., 2021). This can be explained by the Norwegian welfare state model (e.g., Esping-Andersen, 1990). Norway is considered a member of the theoretically defined Nordic (or Scandinavian) welfare regime characterized by a large public sector providing universal services to its citizens. An important characteristic of the Norwegian welfare state is the relatively stable set of relationships between the public, private and nonprofit sector in the provision of public welfare. Despite a long-lived cooperation between the public and nonprofit sector in delivering welfare, and despite the historic tradition of voluntary organizations both contributing to and creating organizations of public welfare (Loga, 2018), commercial welfare production has since the NPM reforms of 1970s and onwards, increasingly made itself relevant in all areas of society (Selle et al., 2018). The constellation of welfare production to date is built upon a state that largely produces welfare services itself or buys it through procurement from other private welfare producers (Selle et al. 2018). As a result of the extent of the Norwegian public sector and increasing market-mechanisms, the relevance of the nonprofit sector as a welfare provider has therefore been diminished.

Approximately 300-400 SEs exist in Norway to date (Eimhjellen and Loga, 2016; Kobro et al., 2017), and there is no exact number for how many of them are considered WISEs. Since the phenomenon emerged in Norway in the early 2000s, the number of SEs has steadily increased. To date, there has not been developed any policies targeting SEs (Sætre and Hauge, 2021, *in print*). Moreover, their organizational forms are approximately divided between legal forms from the nonprofit sector and the private sector. The extent to which choice of legal organizational form is caused by ideological orientations or pragmatic adaptions to obtain funding is at present date unclear, but most likely there is a pragmatism among SEs, I.e., they select legal form based on the probability of attracting funding (Enjolras et al., 2021). There exists a variety of possible legal forms for SEs, and the choice of legal form reflects the distribution of responsibilities, risk, taxation, as well as legal rights and duties. Social entrepreneurs’ choice of legal form decides the sector affiliation of the SEs, I.e., the economic sector (public, private and nonprofit) to which they belong. The private sector consists of privately owned enterprises (E.g., LLCs and ideal LLCs), and the nonprofit sector consists of ideal organizations, I.e., organizations that are not motivated by profit. The term “ideal organization” refers to the fact that any potential profit is returned to the organization. Legal forms such as voluntary organizations, associations and cooperatives are all tied to the nonprofit sector. A caveat regarding the LLC legal form in Norway is that LLC is a protected legal entity, while *ideal*LLC is considered a legal status. In practice, the label “ideal” may promote the social mission of the given organization, yet in reality both are regulated under and abide by the same legislation.

Extant research has demonstrated that SEs face challenges in making their social mission visible and dissociating themselves from for-profit enterprises (Ingstad and Loga, 2016). The institutional context of this article is characterized by a dominant welfare state, a variety of well-established voluntary organizations, and an increasing number of private sector businesses motivated by profit or corporate philanthropy (Hauge and Wasvik, 2016). Currently, SEs are not being recognized in the organizational landscape as a new type of organization aiming for social innovation independent of the three sectors. Furthermore, SEs have experienced being forced to adapt to other institutional referents’ definitions to gain funding (Hauge and Wasvik, 2016). A compelling example of this is the prime public grant by the Norwegian Welfare Directorate (NWD) directed solely at WISEs. This public grant is premised on the activity field of inclusion of disadvantaged groups in all societal arenas, as well as SEs being registered as an ideal actor (e.g., voluntary organization or ideal limited liability company (ideal LLC)), hence disassociating them from for-profit, commercial enterprises. The latter premise can be tied to a highly contested political issue of how much profit (if any) is acceptable for commercial actors to extract from providing welfare services and is often referred to as the “welfare profiteer debate”.

**SEs and field level institutional logics**

Institutional logics are overarching rules and norms shaping the values and goals of an institutional field (Friedland and Alford, 1991; Lounsbury, 2007), and are considered the “standard mode of operating” (Mayer, 2014), making behaviors predictable within the institutional field (Thornton and Ocasio, 2008). Billis (2010) has developed a template for the categories of public, private and nonprofit organizations that clarifies and predicts behaviors. Public-sector organizations are characterized by the principles of public benefit and collective choice. They are owned by the state and the citizens and are resourced through taxation. Private-sector organizations are guided by market forces to maximize on financial return. They generate revenue from sales and fees, are owned by shareholders, and their governance structures are dependent on size of share ownership. Private-sector organizations are market by the so-called “market logic”, characterized by profit, competition and commercial relationships (Alford and Friedland, 1995, pp. 200-262). It further promotes responsive and efficient public-service delivery (Nicholls, 2010). Nonprofit organizations are owned by their members, and they generate revenue from donations and membership fees. Their goals are often tied to social and environmental causes, and their governance structure consists of private election of representatives, in combination with employees and volunteers (Doherty et al., 2014). The logic of non-profit organizations is the social welfare logic (also called community logic and social mission logic) and emphasizes public service, solidarity, altruism and social objectives. The social welfare logic promotes social service provision, collective action, empowerment and they address pressing societal issues such as poverty and health (Woodside, 2016).

Key to understanding SEs is that they do not have only one standard mode of operating, rather since they are situated at the intersection of both the market logic and social welfare logic, it operates with two. Given the hybrid nature of SEs, they might anticipate conflicting logics with institutional referents. Extant research suggests that SEs engage in multiple logics, each imposing often conflicting demands and expectations, creating tension within the SE over the prioritization of goals, which, worst case, may lead to mission drift (Doherty et al., 2014; Battilana et al., 2012).

**3.0 Theory**

To broaden our understanding of how hybrid organizations respond to an institutional environment marked by multiple expectations and demands, and the degree to which they separate or reconcile these competing logics, theories on organizational responses to competing institutional logics emerg as a fruitful theoretical framework for this exact purpose. By building on Pache and Santos (2013) and translating their approach to a Norwegian context, I will explore how and the degree to which Norwegian SEs employ hybridization strategies such as *decoupling*(Meyer and Rowan, 1977), *compromising*(Oliver, 1991) or *selective coupling* (Greenwood et al., 2011; Tracet et al., 2011; Pache and Santos, 2013) in meeting with competing logics. In the following, I present the three strategies in detail and operationalize them to the specific context of SE.

The strategy of decoupling refers to the condition when an organization meets with competing institutional logics in its environment and symbolically adhere and endorse practices prescribed by one logic, while at the same time implementing practices promoted by another. In other words, decupling entails conditions where “organizations conform closely to the meanings and categories ritually defined by the environment, but do not attempt seriously to implement them at the operational level” (Scott, 2003: 279). In practice, this means that organizations create and uphold a separation between symbolically adapted policies and their *de facto* organizational behavior (Tilcsik, 2010). This strategy is often adapted to instances where criteria or expectations prescribed by the external environment conflicts with the internal logic of the organization or its practice (Pache and Santos, 2013). To overcome such a hurdle, organizations may symbolically adapt to these criteria or expectations while incorporating the practice most coherent with their internal logic. In the empirical data, decoupling strategies may emerge in situations of funding strategies to gain access public, private or nonprofit grants (Battilana et al., 2012).

The strategy of compromising relates to the organizational attempt to carry out the institutional demands in a slightly altered form, I.e., making some type of structural change to the demand or prescription and create an acceptable balance between the conflicting external expectation and the internal logic of the given organization (Oliver, 1991). While this is a less documented strategy (Pache and Santos, 2013), studies have shown that it can be a viable option for organizations to cope with multiple institutional logics (Oliver 1991; Kraatz and Block, 2008). SEs may approach competing logics with the compromising strategy by conforming to the minimum standards of what is expected of them, e.g., by creating a new behavior that merges elements of the conflicting demands or bargaining with the actors prescribing the conflicting expectations to alter their demands. However, since SE hardly is an incipient phenomenon in Norway and type of organization that has not gained a prominent footing/momentum in the Norwegian institutional context (compared to e.g., regular for-profit LLCs or nonprofit voluntary organizations), the strategy of bargaining may not be the most favored strategic response to competing logics.

A final strategic response to competing institutional logics is the strategy of combining competing logics. When met with competing demands and expectations, this enables SEs to draw from a plethora of behaviors prescribed by the given competing logics (Battilana and Dorado, 2010). Indeed, extant literature has demonstrated how hybrid organizations reconcile competing logics by combining activities from different field-level actors (Pache and Santos, 2013; Greenwood et al., 2011). Studies have shown that hybrid organizations such as SEs often face competing logics especially in relation to legal structure (e.g., Battilana et al., 2012). In most countries, organizations must adhere to two main legal structure options, I.e., the for-profit and the nonprofit sector. As mentioned, on the one hand, for-profits focus primarily on shareholder value maximization and are permitted to distribute returns to investors. Nonprofits on the other hand, pursue a charitable and altruistic purpose, and in return, governments may offer tax benefits. Additionally, they may also benefit from social legitimacy that attract free and/or inexpensive resources, such as grants and donations (*ibid*.) Furthermore, and in the context of the Norwegian political debate on welfare profiteering, nonprofits may overall be considered more legitimate and trustworthy. While hybrids, such as SEs, may only reap the organizational benefits from one of the sector-dependent legal structures, studies (e.g., Battilana et al., 2012) have shown that a common solution adopted by SEs is to exploit the benefits of two separate legal entities, I.e., to establish one for-profit and the other a nonprofit. Hence, by combining of two legal entities, an SE may reconcile competing logics by exercising activities expected by one logic through one legal entity and exercising another activity through the other.

In their study, Pache and Santos (2013) identified a pattern of selective coupling resonating with the concept of “cultural toolkits” (Swidler, 1986). The pattern demonstrates how hybrids respond to various types of contextual issues, and how they employ different configurations to solve them. Hybrids may therefore be considered at a vantage point since they through their hybridity have access to a broader repertoire of institutional templates, which they can combine in a plethora of ways (Pache and Santos, 2013). This pattern provides insight into how SEs selectively couple institutional logics as well as explaining why it may be considered a superior organizational response compared to decoupling and compromise. Furthermore, their data also reveal how organizations lacking legitimacy within an institutional environment with a dominant institutional logic different from the internal logic of the organization still can enter the field. This strategy has been named the “Trojan horse” and describes processes where so-called “illegitimate” actors adopt and enact the dominant logic in the field enabling them to gain acceptance for entering the field.

**4.0 Data and methods**

To answer the research question, a qualitative design was used. The sample of SEs that were interviewed are considered WISEs that have at least a five-year experience with running the enterprise. The SEs work primarily with the inclusion of immigrants into the Norwegian society. Two SEs (3 and 4) are registered as ideal LLCs. Two (1 and 2) have two legal entities: an association and an ideal LLC, and these four SEs are primarily tied to the market logic. The final SE is registered as a voluntary organization and is the only SE with ties to only the nonprofit sector and originates from the social welfare logic. Due to question of anonymity their names have been omitted. The social entrepreneurs of all SEs were interviewed, and on some occasions, also other employees were interviewed as well. The interviews focused on the SEs legal organizational form and sector belonging, networks they engage in, their financing and experienced tensions regarding their objective and/or activities and further demands from the institutional environment.

From 2019 to 2020, the interviews were conducted face-to-face, however, additional follow-up interviews (2) were conducted via Zoom in 2021. The recordings lasted from one to one-and-a-half hours and were transcribed verbatim. Two follow-up interviews were conducted because the two respective SEs either changed their organizational form or experienced additional pressure to enact an alternative logic during the study period.

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| **INFORMANT** | **WISE** |
| **1A** | *Org. form*: Ideal LLC and association *Target group*: refugees, asylum seekers  |
| **1B** | *Org. form*: Ideal LLC and association *Target group*: refugees, asylum seekers  |
| **2** | *Org. form*: Association and LLC *Target group*: adolescents with immigrant background  |
| **3** | *Org. form*: Ideal LLC *Target group*: adolescents, often with immigrant background  |
| **4** | *Org. form*: Ideal LLC *Target group*: immigrants  |
| **5A** | *Org. form*: Voluntary organization *Target group*: immigrants  |
| **5B** | *Org. form*: Voluntary organization *Target group*: immigrants  |

Table 1: List of informants

*Permissions:*I obtained permission to perform this study from the Norwegian Centre for Research Data (project number omitted).

*Data analysis*

I applied a thematic analysis (Braun and Clarke, 2006, 2019), which was carried out in three subsequent steps. First, an initial analysis was completed of each separate interview. Here, the attention was paid to the informants’ mentions of organizational tensions. I also studied passages in the transcriptions highlighting situations with competing expectations, tensions and conflicts deriving from the external environment. This informed the analysis of whether and the degree to which institutional pressures and demands have had any effect on the SEs.

In the second part of the analysis, I classified the competing expectations. The competing expectations that emerged in this part of the analysis relates to the legitimate *legal form* of the organization, *criteria* for being considered an SE and applicable for funding, what *activities* should be run by SEs, and the legitimate form of *governance*. Additionally, this part of the analysis revealed two important insights: first, that most external expectations and prescriptions emerge in relation to funding, and second, that the expectations of actors with the social welfare logic seems to be the most important logic to adhere to (either symbolically or in practice) due to a quest of enhancing the organizations’ legitimacy and professionality, as well as access to funding. To address the raised research question, I conducted a final analysis of the responses of each individual SE to the external expectations that emerged in the data. In doing so, I attempted to categorize the response patters with the experienced competing expectations (see table 2 below). Specifically, the data demonstrated that four of the five interviewed SEs did not rely only on one response pattern alone. Rather, the four responded by coupling different hybridization strategies, I.e., combining different responses to different expectations. The four organizations’ legal status pertain to the for-private sector (or have an organizational entity tied to this sector), and in situations with competing institutional logics, they enact predominantly social welfare demands. Conversely, only one organization enacted just one type of response. This organization is the only pure voluntary organization in the sample. Interestingly, while already well established within the social welfare logic, the organization is now gravitating towards the market logic as its leader is on a quest to enhance her ownership of the SE, and become more entrepreneurial-like, rather than sustaining the traditional voluntary organization ‘brand’. Moreover, the data revealed that none of the SEs employed the strategy of compromising. Finally, all SEs pointed to the existence of a strong field-level consensus about the appropriate way to organize to achieve their goals, namely being registered in the Voluntary Registry as this serves not only as a criterion for receiving grants from actors with the social welfare logic, but also has a legitimate purpose vis à vis municipalities and public institutions demonstrating that they do not seek to maximize profits or distribute profits to their members, I.e., avoiding the welfare profiteer label.

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| **Conflicting expectations imposed by the logics**  |
| *Issue*  | *Source of conflict*  | *Social welfare logic*  | *Market logic*  | *Response*  |
| Legal form  | What is the legitimate legal status for SEs?  | Non-profit/not-for-profit (in the Voluntary Registry)  | Not-for-profit / for profit (legal form conforming with commercial activities and up-scaling)  | Satisfying symbolic concerns.  Combining logics.  |
| Criteria  | What are the legitimate criteria for SEs?  | Voluntarism.  Field: social inclusion  | Commercial activity  Possibility for scaling  | Satisfying symbolic concerns.  |
| Activities   | What is the legitimate activity for SEs?  | Projects run in collaboration with or for the public sector.  | Achieve a sustainable business model that may compete in public procurements.  | Combining logics.  |
| Governance\*  | What is the legitimate form of governance?  | Democratic membership-based governance structure.  | Owned by social entrepreneur/-s and/or investors.  | Pending/unresolved  |

Table 2: Conflicting expectations imposed by the logics.

*\*Demand experienced by only one SE.*

*Limitations*

An important issue in the present study is tied to the sample size. While the work contributes to the growing body of literature on SEs as hybrid organizations, the question of generalizability to a broader population is miniscule as the evolvement of SE in nation stats is heavily context dependent (in this case: the Norwegian welfare state). Furthermore, Norway is considered a latecomer in the development of SE and studies show that policy development for SE will not likely occur in the near future (Sætre and Hauge, 2021 *in print*), hence the applicability may not go beyond Nordic welfare states. Therefore, the degree to which these results will resonate with other welfare states with a longer tradition of SE is questionable. However, the strategic responses found in this study nevertheless supports the theoretical argumentation of Pache and Santos (2013).

A second limitation also tied to the sample is their sector belonging and their dominant logic. A majority of the actors interviewed are (primarily) tied to the private sector as their organizations have the legal form of ideal LLCs, or organizations registered with two legal entities, one tied to the private sector, the other to the nonprofit sector. In the sample, there is only one SE that is solely tied to the nonprofit sector suggesting an unequal distribution of the SEs sector and logic affiliation for the objects of study.

**5.0 Results**

Extant research demonstrates that in environments marked by competing institutional logics and demands, organizations are likely to respond to them by use of strategies such as decoupling (Meyer & Rowan 1977; Elsbach & Sutton, 1992; Fiss & Zajac, 2006), compromise (Rowan, 1982; Oliver, 1991) or selective coupling (Battilana and Dorado, 2010; Pache & Santos, 2013). The empirical data show that the organizations rarely rely on one strategy alone. Rather, most organizations opt for the strategy of selective coupling, I.e., combining different strategic responses to different instances affected by competing logics. An interesting pattern in the data is that the SEs from the private sector or SEs having an additional entity in the private sector enacted social welfare demands to professionalize the enterprise and to ensure its legitimacy vis à vis institutional referents with a social welfare logic. The only SE with the legal status of a voluntary organization enacted primarily social welfare demands. Additionally, it relied on only the organizational response of decoupling, I.e., symbolically satisfying concerns. While this given SE currently is gravitating more towards a commercial logic due to concerns regarding professionalism and questions of ownership, it experiences competing expectations from institutional referents with the social welfare logic but has to date not responded to this organizational pressure.

In the following, I present the four instances where the interviewed SEs have experienced competing institutional logics i.e., *legal form*, governance structure, *criteria*, and *activities,*and their respective organizational responses.

*Legal status: Same shit, just new wrapping*

All but one organization have changed the legal status of the SE or created two separate legal entities – the latter being a solution permitting the organizations to exploit the benefits of both legal structures (Battilana et al., 2012). The four organizations operate primarily from a market-oriented basis yet predominantly enact social welfare demands. The data does not demonstrate one common strategy to competing expectations or demands regarding legal status. Rather, the SEs respond either symbolically by adding the ‘ideal’ to the LLC, or by combining the two logics by establishing two legal entities.

As a result of demands in public and private funding schemes, e.g., being listed in the Voluntary Registry most of the interviewed SEs are *ideal LLCs*originating from the private sector or are divided into two separate legal entities to exploit the benefits from both sectors. All SEs included in the analysis have enacted social welfare demands in relation to funding and grants from the public sector or from other institutional referents with a social welfare logic. One SE provides a compelling illustration of the pattern of changing legal organizational form due to the public funding scheme by the NWD. To be applicable for this grant, all organizations enacted the social welfare demand of being registered in the Norwegian Voluntary Registry, I.e., their legal status pertains to the voluntary sector, or their legal status is an *ideal*LLCs with bylaws prohibiting owners from maximizing on profits. The SE in question is formally registered in the private sector operating with a market logic. The response of the SE to the social welfare demand was that of symbolically satisfying the criteria of ensuring that the organization cannot exploit the funding schemes by maximizing on profits by changing the legal status of the SE from an LLC to and ideal LLC. In practice, however, the label ‘ideal’ does not entail a separate legal form. Thus, to secure the organization’s main function (carrying out commercial activities to achieve its social mission) and to stay true to an integral part of being a hybrid organization, the leader of the SE ensured that it remained in the for-profit sector. And to secure the organization’s main funding base (funding support and grants), the leader added the ideal label to the LLC status. The leader of the SE explains:

*Only a few months after creating the SE as an LLC, I realized that to obtain funding from the NWD my organization had to be registered in the Voluntary Registry, so I had to change the legal form from an LLC to an ideal LLC. In fact, I only did this to be applicable for this*[respective public]*grant. However, the goal of my organization, the activity and our ideology has not changed. It’s the same shit, just new wrapping. But of course, we are not welfare profiteers*(4)*.*

This statement suggests that the motivation for changing the legal form of the enterprise is purely based the social welfare demand imposed by the NWD. However, more striking is the fact that the change in legal status does not entail a change in practice nor in the internal market logic of the organization. Conversely, it is a symbolic adaptation to the social welfare demand from the institutional referents that do not *de facto*affect the activities, ideology or institutional logic of the organization.

Another strategy for ensuring public funding is to create an additional legal entity to cope with the competing logics of the social welfare and commercial demands. Two of the five interviewed SEs have established two entities, and both operate from a market-oriented logic. One of the two SEs illustrates how the different entities can be used to obtain funding from a greater spectrum of sources as well as to carry out different activities:

*The main enterprise is registered as an association, but I must admit that this is an opportunistic decision. Initially, we wanted to establish an LLC and receive a tax ID number, but the fastest way to do this was by establishing an association. Also, we were aware that our main potential donors demanded a legal form compatible with the Voluntary Registry. But to be honest, we do not operate as an association with members and member meetings.*[...] *After a while when we managed to scale up it was important for us to also create an LLC so that we could carry out different activities, receive support from private investors, and commercialize our platform without having to fundamentally change anything internally in the organization*(2)

The informant demonstrates that although there exist different institutional demands, hybrids can maneuver around them by combining the two logics and continue to run their activities as usual. The strategy may thus reap benefits such as expanding the funding base of the organization. Additionally, although the legal status of the main entity is an association, the informant explains that the SE is not run as one with a democratic structure including members and member meetings. This may imply a symbolic adaptation to social welfare demands. The leader of the second SE with two legal entities called the strategy of combining two entities a pragmatic strategy. He labelled the ideal LLC the “front-end” of the organization as it primarily secures the business’s activities and pays out the salaries. The association is called the “back-end” of the organization and is used as an alumni program for people having completed the course as well as to obtain a broader funding base from national associations granting funding to third-sector organizations.

*Governance: hybridity challenging perceptions of traditional voluntary organizations?*

Yet another social welfare demand imposed by institutional referents relates to governance structure. While this demand has only been experienced by *one* of the interviewed SEs, it is nonetheless an interesting finding, especially in relation to the demands regarding choice of legal status. The SE in question originates from the social welfare logic, and it is also the only SE whose legal status is a voluntary organization. Also, this demand relates to accessing public funding but is based on governance structure.

The employee at the respecitve SE explained that since the leader of the SE is both the chairman of the board as well as the general manager of the organization’s operations, the respective public funding scheme has launched an inquiry against this SE due to ‘governance malpractice’. However, according to the informant, the funding scheme does not require any specific type of organizational structure, nor has this question emerged/surfaced in relation to other SEs with different legal statuses or SEs exercising the market logic receiving funding from the exact same budget item:

*The*[referent] *has submitted a complaint against the organization due to ‘governance malpractice’ because*[the founder]*is both chairman of the board and the general manager, and according to*[the referent] *it* *is not considered best practice. But*[the founder] *wants to secure her and her employees’ salary, right? She started the organization, she translated this franchise project into a Norwegian context, she knows the product, therefore she should be the general manager. At the same time, she is the chairman of the board and wants to secure the strategy, concept and activity of the organization.* [...]. *It is not democratically per se, but this is an* [SE] *not a traditional voluntary organization*(5).

While an active response has not yet been exercised, the social welfare demand imposed by the public institution, has created tensions within the SE. During the interview, the informant expressed uncertainties about the future organization of the SE and suggested that the SE is now standing at a crossroads: The founder wishes to secure full discretion to act in accordance with the model she has designed and created and is assessing whether or not to change the legal status to an ideal LLC allowing her full freedom to act as an SE, yet at the same time she also wants to secure a productive cooperation with the public sector and enact the social welfare demand. The remaining question left is what strategic organizational response will be exercised. This example illustrates how and why the concept of SE may be difficult to approach in a context with a large, universal welfare state with a long tradition of member-based voluntary organizations with little to no commercial motives. In fact, historically, traditional member-based voluntary organizations have been vital in the establishment of the Norwegian welfare state, and in Norway there is a long-standing tradition of civic engagement (Eimhjellen and Loga, 2016, p. 5). Yet, these traditional member-based voluntary organizations are rarely viewed as compatible with the market logic or commercial motives in general. The hybrid nature of SEs can therefore be perceived as a juxtapose to the historical perception of voluntary organizations.

*Criteria: application criteria and jargon*

The empirical data show that the penultimate demand prescribed by institutional referents also derives from social welfare demands and is yet again related to funding. Also, this issue has primarily been resolved by the interviewed SEs by satisfying symbolic concerns rather than altering any organizational factors. The first identified demand concerns the criterion of voluntarism in the function of SEs. Several of the informants have experienced pressure to incorporate some type of voluntarism in the organization’s activities. In fact, to receive public funding from the NWD, the activity of an SE must include or activate voluntarism, however, three of the informants asserted that although voluntarism is an important factor separating SEs from other private commercial actors, the voluntary aspect is sometimes loosely defined and a term that often is used only symbolically to obtain funding. As one informant expressed:

*To be 100% honest, there is not always much voluntarism to be found in the activities of SEs. I mean, we do have some voluntary actors in our enterprise, but my experience is that SEs have to state that they have incorporated some type of voluntarism in their operation to receive public funding*. *If you think about it, we spend like 800 hours each year writing these applications, and if we were to be completely honest, there is not much voluntarism incorporated in our operations. Our values are focused on helping our target group, not to ensure that we can arrange for a tea party with two volunteers each week*(1)*.*

Although not completely faking compliance to the social welfare demand, the informant suggests that social entrepreneurs may strategically include the expectation of voluntarism to receive funding from institutional referents with a social welfare logic. The strategy of symbolically adhering to demands prescribed by the social welfare logic may in this instance be considered a pragmatic choice in occasions where the practice and activities of the SE conflicts with competing demands. This strategy was iterated in two other interviews. One informant with an SE with two legal entities stated that voluntarism should not be a criterion neither for defining an enterprise as an SE, nor to gain access to public funding. She stated, “Voluntarism should not be a forma criterion as it does not define whether we do a good job, or not” (2).

Another funding-related demand again concerning access to public funding is jargon and key words in applications to institutional referents with the social welfare logic. A current trend in Europe, is that local, regional and national levels of government define areas for SEs to operate in (ICSEM 2018). All interviewed SE are considered WISEs whose primary focus is work integration of vulnerable groups. Also in Norway, public funding schemes define how work integration should be carried out, and who should be considered the target group. Indeed, public funding schemes, such as the one by NWD, encourage and support WISEs who work toward eradicating poverty and social exclusion in Norway, especially related to adolescents as well as immigrants. The primary target group for four of the five SEs included in the analysis, is people with an immigrant background, and all are considered in compliance with the demands of WISEs. Yet, one of the SEs focusing on the inclusion of women immigrants had their funding proposal rejected by the Municipality of Oslo due to the ‘overuse’ of the word *integration*, instead of the word *inclusion*. One of the employees of the SE explains:

*About two years ago we wrote an application to a budget item targeting the inclusion of immigrants, which was funded by the Municipality of Oslo. We overused the word ‘integration’ in the application, and it was rejected. When we changed the word integration with the word inclusion, we received the funding from the exact same budget item*[...]. *In reality, however, neither the way we operated, nor the rest of the application changed. So, it really depends on what wording we use in the applications, as you can see, there are strings attached* [when applying for public funding] (5).

As with the previous example of application criteria, also this instance of institutional conflict is handled by satisfying the demands symbolically rather than altering any attributes within the SE, I.e., the strategic organizational response is to formally alter the way the application is written, but in practice the activity and operation of the SE remained the same.

*Activity: contra productive juggling*

The ultimate demand found in the data material imposed upon the interviewed SEs is related to their activities. Indeed, hybrid organizations may reconcile competing logics by enacting a combination of activities drawn from different demands to secure funding and endorsement from a wider range of actors (Pache and Santos, 2010). All but one of the interviewed SEs combines some type of commercial activity with project activities carried out for or in collaboration with the public sector. Studies (e.g., Jones 2007; Carroll and Stater 2009; Pache and Santos 2010; Battilana et al. 2012), however, have shown that the pursuit of a dual mission may explain how hybridity can lead to mission drift, I.e., that SEs’ social missions are sacrificed to achieve financial stability (Doherty et al., 2014). While none of the interviewed SEs express any concern regarding mission drift *per se*, they all have iterated two specific demands influencing their activities and focus: first, to carry out short-termed project activities in combination with their commercial activities to secure endorsement, and second, and in extension of the first demand, to actually take the time to write these funding applications. One informant expressed how her organization has had to carry out specific project activities to secure funding. Moreover, she also voices the issue of the unpredictability of assistance schemes targeting SEs:

*Most of the funding we receive from public assistance schemes demand some kind of project activity. So, to gain access to funding, we have to do these projects while at the same time carrying out our main work, so we are juggling different types of activities at once. Yet, these assistance schemes are unpredictable, and we do not know if we will receive the same funding the next year. We are therefore afraid to hire people because we do not know if we will receive the same funding next year*(3)*.*

While staying true to her mission, the interviewed social entrepreneur highlighted furthermore how funding schemes, especially driven by a social-welfare logic, often comes with ‘strings attached.’ In her interview, the informant stated that she still was able to carry out her organization’s main objective yet was of the impression that the extra project activities required by the institutional referents with a social welfare logic often were conflicting with her organization’s primary goal. Another informant iterated this issue, and further characterized the ecosystem for SEs in Norway as fragmented. Nevertheless, she stated that most SEs indeed are dependent on writing applications to receive funding from institutional referents such as the public-sector institutions or associations:

*We have done a couple of small ‘stunts’ which have been essential for the survival of the organization*. *Last summer we did a summer activity for* [the target group], *which an association gave us a small sum for, but it is not exactly business*[…]. *This comes to show that the SE ecosystem is rather fragmented and complex, and that it is difficult to get someone to fund our activities*[...]. *Yet, we are all*[SEs] *completely depended on writing these funding applications*(4).

The strategic organizational responses to these conflicting demands have all been by combining the main activities of the SEs *with* the demanded activities of the given institutional referents of the social welfare logic evaluating and granting the funding. While some of the interviewed informants receives funding from other private investors and philanthropists at the time of writing, the sample shows reluctance to alter their activities in instances where private investors of the market logic impose conflicting demands. A compelling example of this is demonstrated by two SEs who both experienced an expectation to alter their activities by one of the largest Norwegian investors for SEs in order to become part of the investor’s portfolio. Both SEs expressed that ‘*we would never budge with our own moral and values’*(2, 3). The data therefore suggest that when the demand comes from the social welfare logic promoted by the public sector or associations, SEs are more likely to alter their modus operandi, and combine their main activities with these social welfare demands, which may indicate that gaining legitimacy with institutional referents carrying the social welfare logic is weighted higher than with institutional referents of the market logic.

Furthermore, all informants voiced frustration about having to make time in their schedules to engage in application-writing processes and how it takes away vital time to focus on their primary goal. Seemingly, the continuous sequence of writing and applying for funding to secure endorsement from a wide range of actors is imperative for a hybrid organization to survive. Interestingly, the data suggests that although there certainly are demands imposed by private actors of the market-oriented logic, it is often the short-term assistance schemes of the public sector and third sector association (both of a social welfare logic) that impose the most activity-altering demands. One of the SEs expressed that attention often is paid to finding and writing funding applications, which in turn can be detrimental to the SEs main objective. Additionally, the same informant stated that the short-term funding schemes are not only financially unstable, but also affect the staff of the SE negatively. This informant resonates on whether it would be easier to attend to and achieve the primary goal had the organization been funded by a big private (market-oriented) investor for a longer funding period:

*I believe that it is rather contra productive to spend so many hours a year writing these funding applications. Of course, we do it, but we waste our time writing these applications, rather than focusing on our main objective. You know, the public funding schemes are short-term, and often no more than a year at a time. It is quite exhaustive to apply because we have to wait six months before we receive an answer. If we were funded by one of the big, private investors for like three to five years, I guess we would feel safer and could focus more on our main mission* (1).

The informant underlines here the uncertainty and the unpredictability of public assistance schemes. To sum up, the four main demands and the respective responses have been listed in table 3 below.

|  |  |
| --- | --- |
| **Social enterprise (SE)**  | **Organizational responses to competing logics**  |
|   | *Satisfying symbolic concerns*  | *Combining logics*  |
| 1 (SB)  | Funding applications  | Two legal entities  |
| 2 (C)  | Governance structures  | Two legal entities. Additional enterprise to pay leader’s salary.  |
| 3 (K&co)  | Legal form  | Activities: combines project-based activities with commercial activities. Does not pay out salary.  |
| 4 (MM)  | Legal form  | Activities: combines project-based activities with commercial activities  |
| 5 (BM)  | Funding applications  |   |

Table 3: Organizational responses to competing logics.

**6.0 Discussion**

This article seeks to contribute to the understanding of the function of SEs as hybrid organizations that combine competing institutional logics in Norway. The study has uncovered patterns of logic combination informing how SEs can be sustained. Inspired by Pache and Santos (2013) and based on the examination of five WISEs in Norway, this article uncovers that SEs indeed are embedded in an environment of competing institutional logics, and when competing demands and expectations surface, SEs tend to selectively couple demands imposed by each logic, rather than opting for the traditional strategies of decoupling or compromising. This finding supports that of Pache and Santos (2013) of WISEs in France. Additionally, the findings also suggest that compliance with social welfare demands imposed by institutional referents weigh higher than compliance with market demands imposed by other referents.

*Favoring the ‘toolkit approach’*

An important insight from this study is that in instances where competing logics emerge, SEs opt for the strategic organizational response of selective coupling rather than a pure form of *decoupling*, I.e., symbolically adhering to a prescribed practice with no actual enactment or *compromise,*I.e., engaging in negotiations with institutional referents or compromising by crafting new practices (Pache and Santos, 2013). As opposed to the former strategy, selective coupling entails a determined enactment of a set of chosen practices among a set of competing alternatives. At the same time, the strategy also allows for SEs to symbolically satisfy concerns from institutional referents. Accounts from the informants have underlined the importance of symbolically complying with demands when applying for funding from institutional referents carrying the social welfare logic. Additionally, the data suggest that this symbolic compliance also enhances the legitimacy and perceived professionalism of the SEs vis à vis public institutions as it symbolically ensures that the SEs does not seek to maximize on profits and become so called ‘welfare profiteers’ e.g., by adding the label ‘ideal’ to the LLC legal form or combining two separate legal entities allowing each entity to enact different institutional logics. Hence, rather than faking compliance with social welfare demands and standing at the risk of being caught, selective coupling seems to be a more pragmatic and viable approach as it allows the organizations to symbolically adhere to social welfare demands yet continue to carry out their operations as usual.

As found in the study of Pache and Santos (2013), selective coupling appears also to be superior to the strategy of compromise. Through selective coupling, SEs avoid any engagement in negotiations with institutional referents or having to establish practices that compromise demands imposed by the social welfare and the market logic. Additionally, SE is an incipient phenomenon in the Norwegian organizational landscape, hence, one could argue that SEs do not have much leverage to negotiate with when applying for support from potential funding sources, thus selective coupling may be a less costly strategy to employ both in terms of potentially losing funding bases or spending time coming up with alternative ways of doing things.

The pattern of organizational response of selective coupling uncovered both in this study as well as in Pache and Santos (2013), resembles that of “cultural toolkits” (Tracey et al., 2011), I.e., that actors employ different sets of configurations when met with different types of issues. Indeed, the very nature of hybridity found in SEs are favorable in that it secures them access to a plethora of institutional templates to solve the organizational tensions that they meet. This vantage point may help SEs create an organizational layout combining elements of the demands imposed upon them by the institutional environment. Additionally, this strategic layout may also help them obtain a greater support range. However, by continuously complying with the institutional demands and expectations, such as altering their type of activities, as the data demonstrates, or although seemingly imperative for the survival of the SE, continuously applying for public grants, can lead to detrimental effects on the primary goal of the SE, and as a potential consequence, lead to mission drift.

Similar to Pache and Santos (2013), the SEs included in this study do seemingly not blindly comply with the institutional demands and expectations (DiMaggio and Powell, 1983). Rather, the informants show awareness to the emerging tensions among logics and demands prescribed by institutional referents, and express contrafactual perceptions (sometimes even internal resistance) although, in the end, complying with the given demands. Interestingly, and different from Pache and Santos (2013) the only SE with a pure social origin expressed being trapped or pressured into mimicking the social practices of the public sector to secure a productive cooperation with different public sector institutions and funding, such as the instance regarding governance structure. When conducting practices different from the traditional, social welfare perception of voluntary organizations, I.e., gravitating more towards market mechanisms, the SE found itself at a crossroads. While at the time of writing, the tension remains unresolved, it is a compelling example of how voluntary organizations can be perceived and what expectations institutional referents impose specifically on such organizations as opposed to e.g., ideal LLCs, which, through their sector affiliation demonstrates their ties to commercial activities. SEs with commercial origins or SEs with two legal entities, one being tied to the private sector, did in fact express that they were constrained from at least symbolically replicating pure commercial practices. Indeed, the data suggest that they experienced far more tensions than the SE whose legal status is that of a voluntary organization, which may be explained their market logic’s modus operandi.

*The trojan horse* *- a question of ensuring legitimacy*

All five organizations were primarily funded by and financially depended on grants from the public sector or actors with a social welfare logic: however, the data further reveals a pattern of selective coupling, especially relating to the SEs originating from a commercial logic. The four SEs in the sample with ties to the private sector, through their legal status as ideal LLCs, or by establishing two legal entities with the LLC status, all chose to enact a majority of practices from the social welfare logic, in spite of expressing negative consequences of the competing logic affecting the operation of the organizations. Pache and Santos (2013) labels this pattern the*“*Trojan horse*”*similar to the Trojan horse used by the Greeks to inconspicuously gain entrance to the city of Troy through the large wooden horse reassuring the inhabitants that the war was won. As SEs are incipient in the Norwegian organizational landscape, and due to a culminating point of the welfare profiteer debate, SEs may from a public sector point of view be looked askance at due to their activities, sector affiliation and legal status. Therefore, these SEs’ strategic adaption of behaviors prescribed by the dominant social welfare logic in the field may in fact enable them to gain acceptance for entering the field both symbolically, but also maintain their enactment of the social welfare logic in the longer run. However, important to underline, the Trojan horse strategy does not serve as a camouflage for exploiting grants and funding circles, rather it serves as a brand ensuring institutional referents carrying the social welfare logic that they are not welfare profiteers.

Contrary to the Trojan horse strategy, the SE originating from the social welfare logic, did in fact not experience as many competing demands and expectations as the other four SEs in the sample. Interestingly, however, is that when the SE seeks to become more entrepreneurial-like and stay true to the very nature of SE by becoming more commercial oriented, I.e., enacting market demands in combination with the organization’s already inherent social welfare logic, the SE finds itself at a crossroads as the founder of the organization and her employees all echoes being trapped in a legal organizational form that may be detrimental to the SEs operation and social mission.

*Can SEs overcome the challenges associated with their hybridity?*

This article has not focused on the challenges associated with the hybrid nature of SEs that can be invoked internally or culturally in the organization. Rather, it has focused on the challenges SEs face in environments marked by competing institutional logics. Although not as large in scope, the point of departure for this article is inspired by Pache and Santos (2013), and this study has sought to employ their theoretical arguments in the analysis of how Norwegian SEs respond such challenges. The data suggests that for SEs to signal their legitimacy, professionalism, and appropriateness vis à vis institutional referents, as well as to gain support from and access to the playing field, SEs need at least partially, to act in accordance with conflicting demands and expectations imposed by the institutional referents. This is primarily found to be true for the four SEs with ties to the private sector. Furthermore, the data show patterns of selective coupling where the SEs craft different logic combinations and thus demonstrate their ability to maneuver around institutional constraints and use them to their advantage. Nevertheless, and partially due to their incipience in the Norwegian organizational landscape, the SEs are constrained by the need for legitimacy, especially vis à vis the public sector. This may thus indicate that the institutional freedom enjoyed by SEs related to their hybridity in meeting with institutional conflicts can only be leveraged by those who evaluate their legitimacy, which the data suggest is actors with the social welfare demand, I.e., primarily the public sector. Although a large limitation of this study is tied to its sample size, the data show a compelling insight into a sustainable manner in which hybrid organization can overcome challenges associated with their hybridity and an environment marked by competing institutional logics.

**7.0 Conclusion**

**8.0 References**

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