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

**Abstract**

A growing body of literature has explored how social enterprises, a subset of hybrid organizations, respond to institutional complexity and what strategic organizational responses they internalize when externally engaging with multiple logics and demands. By leaning on hybridization strategies (blended vs. structural hybrids) and strategic organizational responses, the article explores how social enterprises internally manage contradictory demands when externally engaging with institutional referents in a social-democratic welfare regime. Methodically, five Norwegian social enterprises were interviewed. These interviews yielded information about the three logics forming part of the institutional complexity: the market, the social-welfare and the public-sector logic, the latter being the dominant external logic. The findings demonstrate that the social enterprises mix strategies and responses depending on the demands they meet, opting for decoupling or selective coupling. Due to their dependence on funding and legitimacy in the field, the social enterprises internalize demands from the public sector. Additionally, a similarity in response pattern is found among the structural and the blended hybrids. Finally, the findings show compelling insights into how the public-sector logic may crowd out the hybridity of social enterprise due to a strong, dominant public sector found in social-democratic welfare regimes.

Keywords: Hybrid organizations, social enterprise, institutional logics, strategic organizational responses

**1.0 Introduction**

In recent years, hybrid organizations have received growing research attention. Hybrids 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 are arenas of contradiction. Hybrids decipher and combine multiple logics and forms through their goals, structures, processes and activities (Jay, 2013). Hence, they do not fit neatly into the established categories of private, public and voluntary organizations (DiMaggio & Powell, 1983). Rather, they embody multiple institutional logics defined as historically dependent patterns of rules, beliefs, actions, identities, values and material practices and they operate in organizational environments that exert pluralistic and often contradictory demands (Kraatz & Block, 2008).

Social enterprise (SE) is a type of organization that pursue a dual mission: they seek to solve a social issue by use of market strategies. Therefore, they are considered organizations navigating distinct institutional logics and domains (Mair et al., 2012). More specifically they adhere to both the market and the social-welfare logic. Indeed, their activities typically embody the manifestation of both since they pursue a social goal prescribed by the social-welfare logic, while at the same time optimizing their income strategies by following prescriptions of the market logic (Mair et al., 2015). Rather than being driven only by the need to maximize profits for owners and stakeholders, SEs’ surpluses are mainly reinvested for the social purpose in the enterprise or the community in which they operate. A significant body of research has investigated the consequence of multiple logics and how SEs respond to them as they are prone to encounter challenges, at least in part, due to their inherent duality (Woodside, 2018). Therefore, SEs are a prime example for studying how hybrid organizations experience and respond to competing demands prescribed by competing logics.

Institutional complexity has emerged as a prominent research trajectory for understanding how hybrids, including SEs, characterize, prioritize and manage multiple logics (Greenwood et al., 2011). It has shown that challenges arise when external demans is internalized by organizations. Recent studies have identified different strategic responses hybrids internally employ when confronted by institutional complexity (E.g. Pache & Santos 2013; Mair et al. 2015; Perkmann 2019). These studies have had various foci and results showing that some hybrids manage to sustain multiple logics, some resort to one dominant logic, some compartmentalize different logics into different entities, some hybrids thrive, and some even fail (Kraatz & Block 2008). While these studies have yielded fruitful information about hybrids, questions still remain about how hybrids respond to institutional complexity in a welfare state with a large, dominant public sector characteristically found in the Nordic (or social-democratic) welfare regimes such as Norway. Indeed, there is a relative research gap on hybrid organization and hybridization strategies in the Nordic countries. Thus, this article offers valuable empirical and theoretical contributions when exploring how Norwegian hybrids experience and respond to institutional complexity.

Norway pertains to the theoretically defined social-democratic welfare regime (Esping-Andersen, 1990). The Nordic model is characterized by a public sector with an extensive responsibility and role in providing universal welfare services to its citizens (Pedersen and Kuhnle 2017: 221). While the state largely produces the welfare services itself, it also relies on buying services through procurement from other private welfare producers (Selle et al. 2018). Voluntary organizations have played a notable historical role in the creation of public welfare and even considered pioneers in service creation. However, in the post-war years, a strong expansion of public welfare occurred which transitioned the state into a universal public welfare state with publicly owned and operated welfare services. Yet, since the onset of NPM reforms of the 1980s, various welfare services have been outsourced, increasing the growth of commercial actors competing with nonprofit welfare providers for public procurements. Since then, market solutions to public welfare have increased, while the role and relevance of the third sector has decreased. Additionally, there is an extensive ongoing political debate on how much profit (if any) is acceptable for commercial actors to extract from providing welfare services pressuring SEs to demonstrate that they do not seek to exploit the welfare system. Exploring the hybridity of SE in Norway is an interesting case of how hybrids operate and strive to survive in a context with a strong state, an increase in market solution, and a diminished role for welfare provision in the third sector. This article investigates how Norwegian SEs respond to institutional complexity and what strategic organizational responses they internalize when externally engaging with multiple logics and demands. The research questions will be answered by analyzing rich qualitative interview data from five Norwegian SEs collected during the period 2018 to 2021.

Little prior knowledge of how hybrids operate in social-democratic welfare states exists, thus this article directs important attention to what institutional complexity entails in this context, and how hybrids experience and respond to it. Second, this study also contributes to the theorizing on structural hybrids by demonstrating how hybrids can maintain organizational compartments in which their distinct logics can prevail. It also, in line with recent work (e.g. Perkmann et al., 2019), challenges the assumption that structural hybrids always consist of single-logic compartments, and this in itself is a useful addition to the current literature.

In the following, I review the theoretical framework, followed by a description of the research context. Next, I outline the methodological choices and considerations. Finally, I present the main findings, followed by a discussion and the concluding remarks.

**2.0 Theoretical framework**

Institutional logics are overarching rules and norms shaping the values and goals of an institutional field. They make behaviors predictable within the organizational field (Thornton et al. 2013). SEs embody both the market and the social welfare logic, and one is often more dominant than the other. SEs operate similar to commercial organizations characterized by profit, competition, commercial relationships, and promote responsive and efficient service delivery (Nicholls, 2010). SEs also act out the social-welfare logic by their social cause emphasizing solidarity and altruism. This logic additionally promotes social-service provision, collective action and empowerment (Woodside, 2018). It is further characterized by member ownership and revenue generation from donations and member fees. Conditioned by their institutional context, the characteristic of the two logics may vary. The key to understanding SEs, however, is that they do not have only one standard mode of operating, rather, they operate with at least two. Depending on the aim, structure and the goal of the SE, the logics will unlikely be equally fundamental, thus they operate with one *dominant logic* while additional logics are *minority logics* (Durand & Jourdan 2012). Given the hybrid nature of SEs, they might anticipate conflicting logics with actors with the power to evaluate their legitimacy in the organizational field, I.e. institutional referents, imposing conflicting demands and expectations, creating tension within the SEs over the prioritizing of goals which may lead to mission drift (Doherty et al., 2014).

*2.1* *Managing institutional complexity in hybrids*

Blended and structural hybrids are different solutions to manage hybridity. In *blended hybrids* (alternatively hybrid organizations), multiple logics are present throughout the organization (Greenwood et al., 2011). This solution enables hybrids to exploit different resources giving them capabilities that are unattainable by organizations rooted in one logic alone (Perkmann et al., 2019). Yet, the combination of two (or more) logics within an organization can create internal tensions since satisfying the institutional demands of one logic may require defying the demands of another (Greenwood et al, 2011). It may provoke internal tensions among organizational members, create ambiguity in decision-making processes, and, externally, it may create challenges linked to their external legitimacy vis à vis institutional referents or in the organizational field as a whole.

*Structural hybrids* are hybrids where different “compartments” of the organization operate according to different logics (Kraatz & Block 2008). In other words, structural hybrids create structural compartments where the different subunits of the organization operate according to different logics (Perkmann et al. 2019). The compartmentalization enables structural hybrids to address different audience and/or deploy different modus operandi. However, alleviating certain challenges that blended hybrids face, this solution may trigger challenges in integrating the different compartments into the organization. Thus, they stand at risk of organizational fragmentation (Greenwood et al. 2011). While hybrids can only reap the organizational benefits from one of the sector-dependent legal structures, studies (e.g. Battilana & Dorado, 2010) have documented that SEs have been able to exploit the benefits of two sectors by establishing two separate entities. As such, SEs may reconcile competing logics by exercising activities expected by certain logics through one legal entity and exercising other activities through the other.

*2.2 Hybridization strategies*

In most countries, organizations must adhere to two main legal structure options: the for-profit or the nonprofit sector. 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. In meeting with institutional complexity, SEs are expected to select strategic responses according to institutional referents that are gatekeepers of grants and legitimacy as well as attend to their own internal logics. While there exists a plethora of possible responses, *decoupling, compromise* and *selective coupling* have been employed in analyses of institutional complexity.

*Decoupling* entails symbolically adhering to and endorsing practices prescribed by an external logic, while at the same time implement practices promoted by another. 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 conflict with the internal logics of the organization (Pache and Santos, 2013). Thus, hybrids symbolically adapt to these expectations not necessarily taking them serious, while continuing to carry out practices closer to the organization’s mission. In the empirical data, decoupling strategies may emerge in situations of funding strategies to gain access to grants (Battilana & Dorado, 2010).

The strategy of *compromise* relates to the attempt to carry out the institutional demands in an altered form by finding a compromise, I.e. an acceptable balance between the conflicting external demand and the internal logic of the hybrid (Oliver, 1991). Compromise entails actual change in behavior, yet the change balances internal objectives with external demands. Being a less documented strategy, studies have shown that compromise can be a viable option for organizations to cope with institutional complexity (Oliver 1991; Kraatz & Block, 2008). SEs may approach competing logics with compromise by conforming to the minimum standards of what is expected of them, e.g., by creating a new behavior that merges elements of the external demands or bargaining with the actors prescribing the external demands.

Finally, when met with competing demands, SEs may draw from different behaviors prescribed by different logics implying the adoption of a creative configuration of selected practices to meet with external demands (Battilana & Dorado, 2010). Selective coupling resonates well with the concept of “cultural toolkits” (Swidler, 1986), I.e. responding to various types of contextual issues by employing different configurations to solve them. These creative mixtures may have elements of symbolic and actual change. Thus, this strategic response can be considered a “catchall” response as it includes a wide variety of actions. Hybrids can secure appraisal of both logics as they have access to a broader repertoire of institutional templates, which they can combine. Furthermore, research demonstrates that organizations lacking legitimacy in the external environment with a dominant institutional logic different from the internal logics of the hybrid still can enter the field (Pache & Santos, 2013). This is called the “Trojan horse” entailing processes where so-called “illegitimate” actors adopt and enact the dominant logic in the field enabling them to gain acceptance for entering the field.

**3.0 Study setting**

Norway is considered a member of the theoretically defined social-democratic welfare regime (e.g., Esping-Andersen, 1990) characterized by a large public sector providing universal services to its citizens. Despite a historical long-lived cooperation between the public and nonprofit sector in delivering welfare, through NPM reforms commercial welfare production has made itself relevant in all areas of society (Selle et al., 2018). In the provision of welfare, there is a relatively stable set of relationships between the public private and nonprofit sector: This constellation is built upon a state that largely produces welfare services itself or buys it through procurement from other, private welfare producers. Because of the extent of the Norwegian public sector and increasing market-mechanisms, the relevance of the nonprofit sector as a welfare provider has been diminished. Despite the turn towards market competition, privatization of welfare amounts to one of the main areas of political conflict between the political parties on the left-right spectrum. The political left champions public ownership to secure all citizens equal access to services of high quality, while the political right, champions marketization and privatization to secure the welfare state’s economic. The crux of this conflict entails how much private welfare contribution is accepted, where the question personal dividend, generates most disagreement. This question has manifested itself in the heated “Welfare profiteer debate”, where examples of commercial welfare producers generating substantial profit has added fuel to the disagreement.

SE emerged in Norway in the early 2000, and the number of SEs has steadily increased with approximately 300-400 SEs (Eimhjellen & Loga; Kobro et al., 2017). Their organizational forms are divided between legal forms from the nonprofit sector and those from the private sector. The extent to which the 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 forms based on the probability of attracting funding (Enjolras et al., 2021). The choice of legal form reflects the distribution of responsibilities, risk, taxation, as well as legal rights and duties. It also decides the economic sector affiliation of the SEs. 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” implies returning any potential profit to the organization. Legal forms such as voluntary organizations, associations and cooperatives are tied to the nonprofit sector. While LLCs are protected legal entities, *ideal*LLCs constitute a legal status. In practice, ideal LLCs must declare no personal dividend in their bylaws, yet both are regulated under and abide by the same legislation.

Recent studies have suggested that SEs in Norway are likely to remain limited and small and that it will be difficult to recognize SE as different from commercial and voluntary organizations in the organizational landscape as the division of labor between the three economic sectors already are well-established (Enjolras et al. 2021). Moreover, SEs have experienced the need to adapt to other institutional referents’ demands to gain funding (Hauge and Wasvik, 2016). A compelling example of this is the public grant by one of the main institutional referents, the Norwegian Welfare Directorate (NWD), targeting SEs working with inclusion and poverty. This grant is premised on their label as an ideal organization (e.g., voluntary organization or ideal LLCs). The premise of this grant is tied to the question of profit in welfare production where “welfare profiteering” should at all cost be avoided.

**4.0 Data and methods**

To answer the research question, a qualitative and exploratory design was used as this approach is recommended when studying phenomena lacking a well-developed understanding (Yin, 2009). Yet, based on trends of how Norwegian SEs select organizational form based on E.g. funding schemes as described above, an *a priori* assumption is that the data will, at least in part, show creative configuration of selected practices to meet with external conflicting demands.

To explore organizational responses to competing demands a mapping of SEs was conducted. While there is no formal registry for SEs in Norway, the selection criteria were based on SEs 1) receiving funding or support from more than one institutional referent (such as NWD and a private association or philanthropist); 2) carrying out more than one activity in their operation; 3) with an organizational lifespan for at least five years. This selection approach is similar to that of purposive sampling (Guest et al., 2017). Prior to the data collection, a dozen SEs were contacted, however, five SEs were recruited to the sample. The sample consists of seven informants. Two informants (staff member and founder) were interviewed from SE 1 and 5. The founders of SE 2, 3 and 4 were interviewed once. The SEs in the sample work primarily with (work) inclusion of immigrants. Their governance arrangements are listed in the table below:



*Table 1: List of SEs*

All four SEs tied to the private sector expressed having primarily ties to a market-like logic, profit generation being one of the most important aspect of the organization. Although SE 1 and 2 have established two entities, they both highlighted that the main entity, also the main cost-earning entity, is the ideal LLC which is legally tied to the private sector. SE 5 expressed clear ties to the third sector and the social welfare logic, highlighting voluntarism and relying on public grants and collaborations. It also strongly disassociates itself from profit-generating activities such as sale of services. Due to concerns for anonymity their names have been omitted.

*Data analysis*

A thematic analysis (Braun and Clarke, 2019) was applied and carried out in three subsequent steps. First, an initial analysis was completed of each separate interview paying attention to the experienced competing demands by the external environment. This informed the analysis of whether and the degree to which external demands had any effect on the SEs. Additionally, this step of the analysis enabled the identification of competing expectations, which primarily relate to funding. The identified causes of ambiguity are the legitimate *legal form* of the organization, the *criteria* for funding, what *activities* should be run by SEs, and legitimate organizational structure. Finally, the responses of each individual SE to the external expectations that emerged in the data were analyzed and each response was classified according to the strategical organizational responses. Interestingly, this step of the analysis also enabled a proper identification of the logics in effect. The analyses suggest that the SEs internalize and respond to (at least) three logics. Neither of the logics identified should be interpreted *stricto sensu* according to theoretically informed ideal types (see Thornton et al. 2013: 73). Rather, they are logic *dialects* contextually dependent on the constellation of the Norwegian welfare state and the role of and relation between its three economic sectors.

SEs with a dominant *market logic dialect* address needs either not dealt with by or dealt with more efficiently than public welfare services. Their method of work is tied to sale of services and products to public and private institutions, and they compete against other private actors on the (quasi-)market. Legitimacy is gained through their status in the market and the quality of their services. Yet, the public sector also has a role in evaluating their legitimacy by way of procuring services from them. SEs with a dominant *social-welfare logic* *dialect* enter into partnership in new intersectoral forms of collaborations on the creation and production of welfare. The collaboration’s framework defines their impact area, which often is under the auspices of the public sector. Altruistic actions, E.g. helping others in the local community secure their legitimacy. Finally, the external *political logic* *dialect* is governed by the political economy of the welfare sector. SEs are considered suppliers of cost-efficient services on the quasi-market. The political agenda determines the range and durance of the work. Since SEs tailor tenders to public authorities, public institutions also evaluate their legitimacy. Listed in Table 2 below are the logic dialects.



*Table 2.0 Logic dialects*

**5.0 Findings**

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, compromise or selective coupling (Battilana & Dorado, 2010; Pache & Santos, 2013). The data demonstrate that the SEs do not rely on one response alone. Rather, they respond differently to the identified causes of ambiguity. The SEs used both selective coupling and decoupling, while compromised was not considered. Based on the empiricism, all SEs experienced the public-sector logic to exert conflicting demands, yet all internalized some type of enactment to it. Furthermore, there is an interesting pattern between the structural and the blended hybrids: The structural hybrids expressed that they were able to attend to their inherent logics while at the same time abide to the external public-sector logic. Blended hybrids on the other hand, expressed more inconveniences with conflicting demands vs. the organization’s internal mission. The data also reveal that there is a strong field-level consensus regarding the appropriate way to operate: by adhering to the public-sector logic which most institutional referends hold. Additionally, referents holding this logic are gatekeepers of public and private grants, and thus SEs seems to be highly depended on their acceptance as legitimate actors. In instances of ambiguity, the SEs tend to adhere to the public-sector logic. Gaining legitimacy vis-à-vis public institutions appears to be vital, particularly for SEs pertaining to the for-profit sector.

*Legal form: Same shit, just new wrapping*

All but one organization expressed a change in legal status during the lifetime of the SEs. SE 1 and 2 created two separate legal entities becoming structural hybrids. This hybridization solution permits them to exploit the benefits of both legal structures (Battilana & Dorado, 2010). SEs 3 and 4 changed their legal status from LLCs to ideal LLCs. The market logic is the fundamental and dominant logic for the four SEs, yet they predominantly enact the public-sector logic’s demands in meeting with the causes of ambiguity. The founder of SE 5 had been supervised by public authorities to create and maintain a voluntary organization. Nonetheless, in dealing with institutional complexity, the SEs are found to mix strategic responses either symbolically (decouple) or by creatively combining logics (strategic coupling).

The demands by institutional referents distributing funding schemes fostered a change in legal status for four SEs. Most schemes targeting SEs demand that they are listed in the Voluntary Registry implying that they must be “ideal”, separating the organization from pure commercial motives. Founder of SE 4 describes changing legal status due to demands from the NWD. The founder portrays the SE with a motive and operation similar to the market logic. Additionally, she advocates for the possibility of personal dividend, although she does not believe it is possible due to the demands from the external environment. The SE is formally registered in the private sector and its founder portrays the motive and operation of the SE in line with the market logic. When met with these demands, she changed the status to an ideal LLC (decoupling) thus conforming to the external pressure, a response she shared with the founder of SE 3. However, both founders expressed that to secure the organizations’ main function and to stay true to the commercial motives of the organizations, they ensured that the SEs remained in the for-profit sector. So, to secure the SEs’ main funding base, the founders created ideal LLCs with bylaws prohibiting dividend. The founder of SE 4 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. I only did this to be eligible for this grant. However, the goal of my organization, the activity and our ideology has not changed. It’s the same shit, just new wrapping*(4)*.*

As the informant underscores, this, however, change does not entail a change in practice, although a restriction on dividend. Conversely, it is a symbolic adaptation to the social welfare demand from the institutional referents that does not *de facto*affect the organization internally. While both the SEs stressed the inconvenience of formally changing the legal status, SE 1 and 2 selected a different strategy for ensuring public funding.

When met with the competing demands of the institutional referents holding the public-sector logic, SE 1 established an ideal LLC (for-profit) in addition to her association (nonprofit) to secure the organization’s main activity and source of revenue. SE 2 created an association in addition to his ideal LLC for the same reason. This strategic response enables them to uphold their main activities of sale of services and products to help their target group, and continue to receive support from private investors (dominant and minority logic) in one compartment of the organization, while enacting and adhering to demands from institutional referents holding the public-sector logic in the other. SE 2 illustrates how this strategy enables her to obtain funding from a greater spectrum of sources and 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 honestly, we do not operate as an association with members and member meetings.*[...]. *After having scaled up the enterprise, it was important for us also to create an ideal 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).

This informs us how hybrids can maneuver around competing demands by creatively combining different logics while continuing to run their activities as usual. SE 1 and 2 expressed less inconvenience regarding the ambiguity of legal form vis-à-vis institutional referents due to the new sources of revenue this structure allows. As the informant expressed, it is vital for her to have the two compartments to ensure that the organization does not compromise its mission. She also stated that although the governance structure of Norwegian associations should be structured democratically, it is not, implying a symbolically compliance of the formal status, but not internalized in practice. Finally, creating a structural hybrid rather than changing the legal status of a blended hybrid, was, among the informants, characterized as a less inconvenient strategy when met with competing demands.

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

Governance structure was found to be another cause of ambiguity. The appropriate way for SEs to be organized is defined by institutional referents holding the public-sector logic, and interestingly, this demand was only experienced by SE 5, the only SE with clearly expressed ties to the social-welfare logic. The founder of SE 5 is both the chairman of the board as well as the general manager of the organization. When applying for a funding scheme in Municipality X, an inquiry was launched against the founder due to what was labeled an “undemocratic governance structure”. One of her staff members expressed that the funding scheme does not require any specific type of organizational structure, nor has this question emerged in relation to the other SEs whose governance structures are similar:

[Municipality X] *submitted a complaint against us since our governance structure is undemocratic.*[The founder]*is both chairman of the board and the general manager, and according to*[X] *it* *is not considered best practice. But*[the founder] *wants to secure her and her employees’ salary, right? She started the organization, she developed the project, 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 democratic per se, but this is an* [SE] *not a traditional voluntary organization*(5).

The demand of governance change imposed by Municipality X has created internal tension within the SE. The informant stated that the founder is standing at a crossroads: She is assessing whether to become an ideal LLC allowing her more freedom to act as an SE. Yet she also wants to secure a productive cooperation with the public sector, especially since was been advised by public institutions to organize as a voluntary organization. This is a compelling example of how institutional complexity can be difficult for hybrids to manage without compromising the organizations’ own missions. Interestingly, in the sample of SEs only SE 3 has separated the general manager from the board of the organization. In the remainder SEs, their general manager (often the founder) is either the chairman or member of the board. So, why has only SE 5 been subject to an inquiry? This question is too complicated to be coherently addressed here, but it is an important illustration of how and why the concept of SE may be difficult to approach in a Scandinavian context with a large, universal welfare state with a longstanding tradition of member-based voluntary organizations with few to no commercial motives. While historically such organizations have been vital in the establishment of the welfare state, yet they are rarely viewed as compatible with a market logic or motives.

*Criteria for funding*

Another cause of ambiguity relates to criteria for funding. Here, the SEs have had a unison response: satisfying symbolic concern rather than altering fundamental functions of the organization. To receive public funding from most (public) funding schemes such as the NWD, the activity of an SE must include or activate voluntarism. All informants expressed having experienced pressure to incorporate voluntarism in the organization. However, all, save SE 5, asserted that although voluntarism is an important factor separating SEs from commercial actors, voluntarism is sometimes loosely defined in application and often used only to symbolically obtain funding. More informant from a structural hybrid expressed:

*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 must state that they have incorporated some type of voluntarism to receive public funding*. *To be honest, there is not much voluntarism 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)*.*

While not faking compliance to external demands by the public-sector logic, the informant suggests that SEs strategically include some type of voluntarism in their operations to receive funding from institutional referents. Symbolically adhering to this demand may be considered a pragmatic choice on occasions where the practice and activities conflicts with external, competing demands. The other structural hybrid, SE 2, voiced the same concern and stated, “Voluntarism should not be a formal criterion as it does not define whether we do a good job, or not” (2).  This indicate that SEs are conscious in their communication with institutional referents and use deliberate wording depending on funding criteria.

Jargon related to funding applications has also been a cause of ambiguity resolved by decoupling. Public funding schemes relate to social issues on the political agenda, and public authorities want all non-public actors to tailor tenders to or apply for projects on issues the public sector wants address. As such, work integration has become a main object for SEs. However, the data show that public funding schemes premised for SEs also define how this integration should be carried out. The blended hybrid, SE 5, working on integrating immigrant women in society, had its project proposal rejected by ‘Municipality X’ due to wrong terminology. An employee explains:

*Two years ago, we wrote an application to a budget item targeting the inclusion of immigrants, which was funded by Municipality ‘X’. Apparently, we overused the word ‘integration’ in the application, and it was rejected. When we changed the word integration to the word inclusion, we received the funding from the exact same budget item.* *In reality, neither the way we operated, nor the application changed. It really depends on what wording we use in the applications, as you can see, there are strings attached* (5).

Again, decoupling emerges as a pragmatic strategy. Rather than altering any attributes within the SE, the strategic response is to alter how the application is written, but in practice the activity and operation of the SE remains the same.

*Activity: counter-productive juggling*

Finally, type of activity was also found to be a cause of ambiguity. The market-oriented SEs incorporated combinations of commercial activities with project activities carried out for or in collaboration with public services. This supports the extant research suggesting that hybrids reconcile competing logics by enacting a combination of activities drawn from different logics to secure funding and endorsement from a wider range of actors (Pache & Santos, 2010). Yet, this time-consuming juggling may also have detrimental effects such as mission drift, i.e. sacrificing an organizational goal to fulfill external demands. While none of the informants expressed having experienced mission drift, they all voiced how external demands could be detrimental to their SEs’ goals. This is especially the case when the market-oriented SEs are forced to couple short-termed projects for the public sector to secure endorsement and legitimacy in the field, while at the same time carry out their main activity. Mainly among the blended hybrids rooted in the market logic, juggling activities contradictory to the SEs’ mission, yet vital for its survival and legitimacy, was portrayed as exhausting. The founder of SE 3 expressed that she had to carry out specific activities to secure funding while at the same time highlighting the unpredictability of such assistance schemes:

*The funding we receive from public assistance schemes demand a project activity. So, to gain access to funding, we must do these projects while at the same time carrying out our main work. We juggle 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* (3)*.*

While juggling different activities was expressed as tedious and in conflict with the SE’s main objective, it also points to the uncertainty of these schemes. The informant further highlighted that although these schemes driven by a public-sector logic come with ‘strings attached’, they are nevertheless vital for the SE’s legitimacy vis-à-vis the external environment. SE 4, also a blended hybrid with a dominant market logic, highlighted the same concerns:

*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 fragmented and complex, and that it is difficult to get someone to fund our activities*[...]. *Yet, we are all completely dependent on writing these funding applications*(4).

The two blended hybrids responded to these demands by selective coupling, i.e. creatively combining activities demanded by referents with the public sector logic with the activities of the organizations’ activities. Interestingly, the founder of structural hybrid, SE 1, expressed previously having been depended on adherence to this counter-productive juggling. But, since the compartmentalization of the organization the SE now has a sustainable economy due to its commercial platform anchored in the LLC. The other structural hybrid also managed to scale up the SEs’ range due to its market strategies yet continued to be depended on applying to funding schemes. A staff member expressed her concern regarding detrimental effects of the dependence on funding schemes:

*I believe that it is counter-productive to spend many hours each year writing 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 for 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* (2).

The results show that the continuous sequence of writing and applying for funding to secure endorsement from a wide range of actors is imperative for hybrids to survive. The data also suggest that when meeting with external demands rooted in the public-sector logic, SEs are likely to alter their activity internally as the funding by and legitimacy vis-à-vis institutional referents holding this logic is imperative. Interestingly, however, the structural hybrid, SE 1, managed to become independent of short-term projects. While needing more profound research, arising curiosity is whether compartmentalization may be an optimal hybridization strategy in a welfare state with a dominant public sector. Seemingly, SE 1 can secure mission compliance and adhere to external demands and gain legitimacy.

Figure 1 sums up the response patterns of the SEs. The SEs with a broken line represent the structural hybrids, and full circle, blended hybrids.



*Figure 1: Response patterns*

**6.0 Discussion**

This article seeks to contribute to the understanding of how hybrid organizations (SE) respond to institutional complexity in a welfare state with a strong public sector found in Norway. Additionally, the article investigates what strategic organizational responses SEs internalize when externally engaging with multiple logics. The study shows that SEs indeed are embedded in an environment of competing institutional logics and demands. When they surface, SEs respond differently and have different results. However, none of the SEs rely on one strategy alone. Rather, they combine responses depending on the given cause of ambiguity.

*Favoring the ‘toolkit approach’*

An important insight from this study is that the causes of ambiguity identified relate to public funding schemes and gaining legitimacy vis-à-vis the public sector. Additionally, the SEs highlight that these funding schemes are the most vital sources of income. Hence, in the context of the social-democratic welfare regime, the natural role of the public sector is evaluating SEs’ legitimacy through the distribution of funding. Seemingly, SEs are used as a tool for the public sector similar to that of other private actors as they are viewed as suppliers on the quasi-market tailoring tenders to the public sector’s welfare issues. Regardless of the consequences it has for the SEs, they must to some degree adhere to the public-sector logic. This underscores the dominance of the public sector and emphasize the increasing role of market solutions in Norway. Additionally, it shows that in a state with a large and all-embracing public sector, its role is to define social issues and how to diminish them and evaluate legitimate actors in the welfare mix.

The interviewed informants showed that their SEs responded to these demands by mixing different strategic organizational responses according to the given cause of ambiguity. This strategy 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 hybridity of SEs can be favorable in that it secures them access to different institutional templates to solve the organizational tensions that they meet. This may help SEs create an organizational configuration combining elements of the demands imposed upon them by the environment. Additionally, it may also help them obtain a wider support range. When mixing *selective coupling* and *decoupling*, the SEs do not blindly comply with the institutional demands (DiMaggio & Powell, 1983). Rather, the informants reflect on the contradictory demands prescribed by institutional referents and express contrafactual perceptions (sometimes even internal resistance) although, in the end, complying with the given demands.

While the sample size here is small, it contributes to the further theorizing on both blended and structural hybrids. A valuable insight in this regard is how the two types of SEs experience and respond differently to institutional complexity. The structural hybrids, SE 1 and 2, managed to attract a broader funding base as both organizations receive funding from public, ideal and commercial actors. In other words, they use different compartments to apply for different funding. While this strategy has been observed prior (Battilana & Dorado, 2010), it is still quite unusual for hybrids, especially for for-profits to establish an ideal organization to access grants. However, this strategy ensures that neither the dominant nor the minority logics are compromised by external pressure. It can also enable them to become sustainable as SE 1 expressed. The SEs may also ensure their legitimacy in the external environment by appealing to a variety of institutional referents. Hence, creating compartments may be a pragmatic strategy to maneuver around different demands to survive.

The blended hybrids expressed more inconvenience with the demands from the external logics. This is especially the case for the SEs with a dominant market logic. The informants stressed how vital it was for the organizations’ survival to comply with the demands of the public sector. SE 2 and 3 holding the market logic as their dominant logic, enacted practices demanded by the public-sector logic despite the negative consequences it had for their operations, a pattern termed the “Trojan horse” (Pache & Santos, 2013). SEs are fairly new in Norway, and due to a culminating point of the welfare-profiteer debate, they may be looked at askance by the public sector. Thus, adopting behaviors prescribed by the public-sector logic can enable them legitimacy and acceptance for entering the field symbolically, but also maintain their enactment in the longer run. As seen, however, this can also be troublesome for SEs. Although none of the SEs experienced mission drift, the founders of SE 3 and 4 expressed how the organizational goals were affected by contradictory demands by the public sector. As such, their dominant market logic seems to be crowded out by the public-sector logic, while their minority social-welfare logic expressed through their social causes aimed at their target groups, is considered legitimate and may prevail.

Finally, SE 5 with a dominant social-welfare logic, expressed being pressured into mimicking the practices of the public sector to secure a productive cooperation and continued funding. Public authorities questioned the lack of democratic governance when the founder of SE 5 arranged the organization different from a traditional voluntary organization. This may show that institutional referents impose specific expectations for such organizations in Norway, as opposed to, ideal LLCs. Being that cross-sectoral collaborations are under the auspices of the public sector it may suggest that public authorities can demand more from organizations like SE 5.

*Contextual implications*

With a strong state and a large and universal welfare system, the prominent role of the public sector is therefore natural in this given context: Public authorities identify social issues needing to be addressed, it defines how to address them, and it evaluates which actors may deliver services targeting them. While this may affect the nature of hybrids, public authorities do constitute the most vital institutional referents that the SEs depend on as they are the gatekeepers of important schemes and approve their legitimacy in the field. Regarding the four causes of ambiguity, all SEs have at some point internalized the public-sector logic. However, in doing so, other internal logics seemingly become subordinate in these instances, especially for the SEs with a dominant market logic. This supports recent findings (Enjolras et al. 2021) suggesting that the nature of SEs may be crowded out by a strong state and well-established third and private sector organizations.

Furthermore, although a rather unusual strategy for SEs, logic compartmentalization may be a pragmatic solution especially for more market-dominant SEs. By compartmentalizing, SEs may to some degree avoid certain contradictory demands prescribe my institutional referents. Also, compartmentalization may allow the organization to easier attend both to its mission and adhere to external demands. While this indication remains thoroughly investigated, structural hybrids may both broaden SEs sources of income, adhere to external logics and gain legitimacy in the field all at the same time.

**7.0 Conclusion**

This article has explored how hybrids (SEs) in Norway respond to institutional complexity and what strategic organizational responses they enact when externally engaging with multiple logics. The article illustrates how the social-democratic welfare state, with a large public sector as the main producer of welfare, affects how SEs engage with institutional referents. The public-sector logic has been identified as the prevailing external logic that all SEs at some point have internalized. Institutional referents holding this logic are also the gatekeepers of funding schemes and evaluate the SEs’ legitimacy. Furthermore, the data show that logic compartmentalization may be a pragmatic choice when dealing with conflicting demands as it allows for the SEs to attend to the organizations’ missions and adhere to external demands, yet further research is needed. Finally, the data also show that Norwegian SEs rarely rely on one strategy alone. Instead, they combine different responses depending on the given cause of ambiguity.

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