



**WAYSIDE  
CHAPEL**



# **MANAGING HYBRID ENTERPRISES**



## Overview

This is a guidebook drawing on research insights about hybrid organisations. It is for practitioners in the non-profit sector considering how to diversify their funding base or for those wanting to start up a social enterprise.

This booklet takes you through basic explainers and highlights key questions to enrich your understanding about hybrids and how to create and manage one.

You will find the *practitioner's perspective* told through a Wayside Chapel case study of developing a hybrid enterprise, the Heart Cafe. Wayside Chapel is a Sydney-based not-for-profit providing support to people facing homelessness, addiction and mental health issues. Programs are designed to ensure the most marginalised members of the community have access to essential health, welfare, social and vocational services.

By definition hybrids can combine many different purposes and operate across various sectors. This guidebook focusses on those that combine social and financial purposes and that are operating in the social sector. If you want to dig deeper or more broadly, leading academic articles are signposted throughout.



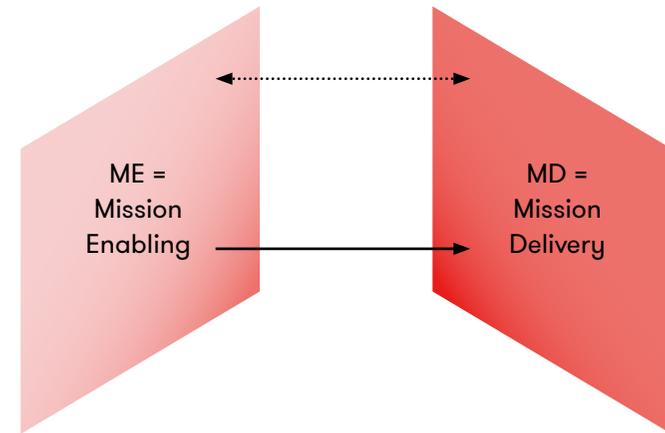
## Practitioner Perspective

Wayside Chapel is currently approaching the challenge of hybridisation. We are looking at this, not just through the lens of social enterprise, but as a whole organisation.

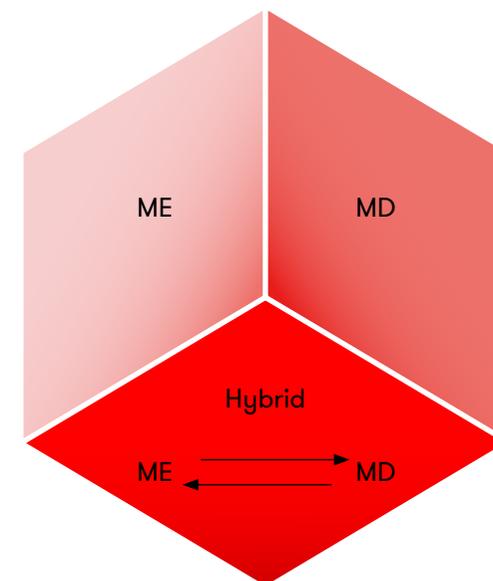
Our 'traditional model' was Mission Enabling (ME) and Mission Delivery (MD). Mission enabling provided the structural support for the organisation to execute its mission via the delivery arm (Hybridisation Model 1). We are now including in this model hybrid, areas where these two functions are blended and co-dependent (Hybridisation Model 2).

Wayside is experimenting with the hybrid approach through the redesign of our youth programs. We have developed a new mission-enabling program called 'The Wingspan Project' that provides support, personal development, training and work opportunities for at-risk youth. Within this program, youth receive opportunities to address challenges that have held them back, right through to learning specialised hospitality skills. After completing the initial program, a number of young people are eligible for an opportunity to gain supported work, via a traineeship, in the Heart Cafe. The Heart Cafe is a Wayside Chapel operated social enterprise. Surplus funds raised through the Heart Cafe operation will be used to support the The Wingspan Project traineeships. The Wingspan Project and Heart Cafe operate out of the same facility located in the heart of Bondi. The Wingspan Project aims to place young people in employment and the Heart Cafe provides both a delivery of this mission, but also enables that mission by generating revenue to fund the program. Within the enterprise model, mission is enabled and delivered interdependently.

Hybridisation Model 1



Hybridisation Model 2



**WHAT IS A  
HYBRID  
ENTERPRISE?**

# What is a Hybrid Enterprise?

‘Hybrid enterprises’ (‘hybrids’) are organisations that mix core elements - such as identities, forms and logics - that would not normally go together.<sup>1</sup>

Hybrid’ is a term borrowed from biology to describe crossover in species. For example, hybrids may simultaneously pursue financial and other forms of value creation such as equity, restoring the environment, or advancing scientific knowledge.

Hybrids can operate in many sectors, including health, education, culture and the arts, religion and science. Social enterprises are a commonly accepted form of hybrid, as they pursue and organise around both financial and social goals.

Well-known hybrids include:

- » [The Grameen Bank](#)
- » [Toms Shoes](#)
- » [Streat Cafes](#)

1. Battilana, J., & Lee, M. (2014). Advancing research on hybrid organizing Insights from the study of social enterprises. *The Academy of Management Annals*, 8(1), 397-441. <https://www.tandfonline.com/doi/abs/10.1080/19416520.2014.893615>

Mair, J., and Marti, I. (2006). Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business*, 41, 36-44. <https://www.sciencedirect.com/science/article/pii/S1090951605000544>

Thornton, P. H., Ocasio, W., and Lounsbury, M. (2012). The institutional logics perspective: A new approach to culture, structure and process. Oxford: Oxford University Press. <https://www.amazon.com/Institutional-Logics-Perspective-Approach-Structure/dp/0199601941>

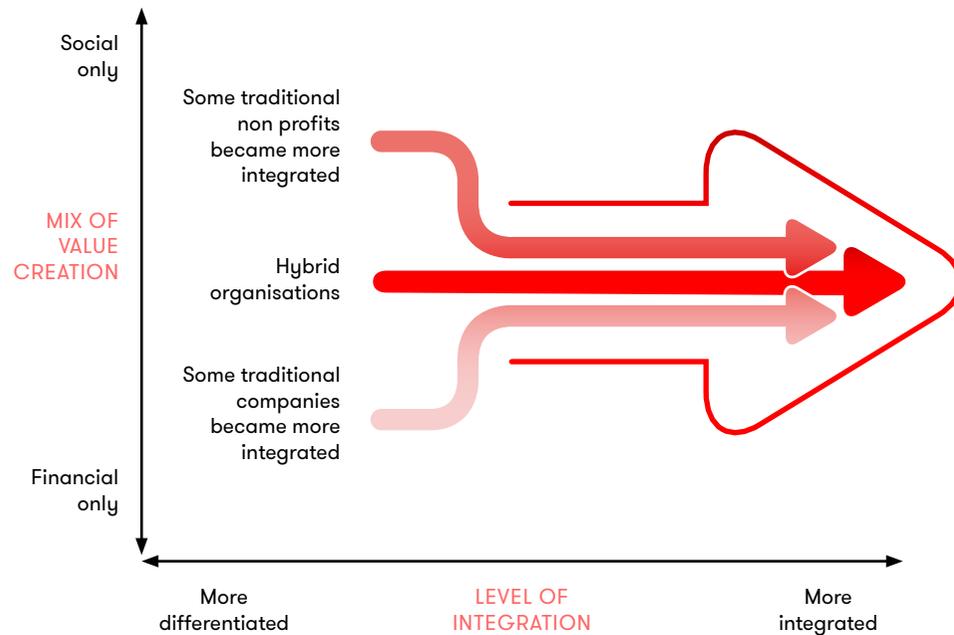


## Practitioner Perspective

When Wayside Chapel operates as a charity we must still pursue financial goals alongside our mission.

The difference between this and a hybrid approach is that these goals traditionally could be run somewhat separately. As a charity, fundraising departments didn’t really influence the day-to-day running of the delivery arm, it only mattered that funds came in. As a hybrid we are seeing these two functions working in a single ecosystem.

## THE HYBRIDISATION MOVEMENT<sup>2</sup>



Hybrids are not defined simply by their for-profit or non-profit status. Hybridity is determined and shaped by how, and to what degree, different forms of value creation and distribution are a core part of managing the organisational mission, strategy and measuring attainment of goals.

Julie Battilana and colleagues were one of the first to explain the emerging movement and the challenges and opportunities of operating a hybrid. Their graph (left) depicts how a hybrid is differentiated from a non-profit or for-profit organisation.

Hybrids **are not** for-profit organisations who also create social value on the side, such as Corporate Social Responsibility initiatives that are adjunct to core operations of a corporation. Likewise they **are not** charitable organisations who only pursue social value without concern for financial value. Either of these two prioritise one form of value creation or a single 'logic'. Here, logic refers to guiding value systems. Hybrids combine value systems or simultaneously combine multiple 'logics'.<sup>3</sup>

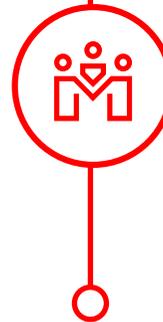
2. Adapted from: Battilana, J., Lee, M., Walker, J. & Dorsey, C. (2012). In search of the Hybrid ideal. *Stanford Social Innovation Review*, 10, 51-55. [http://scholar.harvard.edu/files/matt/files/summer\\_2012\\_in\\_search\\_of\\_the\\_Hybrid\\_ideal\\_1.pdf](http://scholar.harvard.edu/files/matt/files/summer_2012_in_search_of_the_Hybrid_ideal_1.pdf)

3. Jager, U.P. & Schroer, A. (2014). Integrated Organizational Identity: A Definition of Hybrid organisations and a Research Agenda. *Voluntas*, 25,1281-1306. <https://www.jstor.org/stable/43654342>

## A variety of hybrid forms

Hybrid purpose activities can be organised through an array of different organisational forms. The shaded area in the below spectrum is where hybrid forms are located.

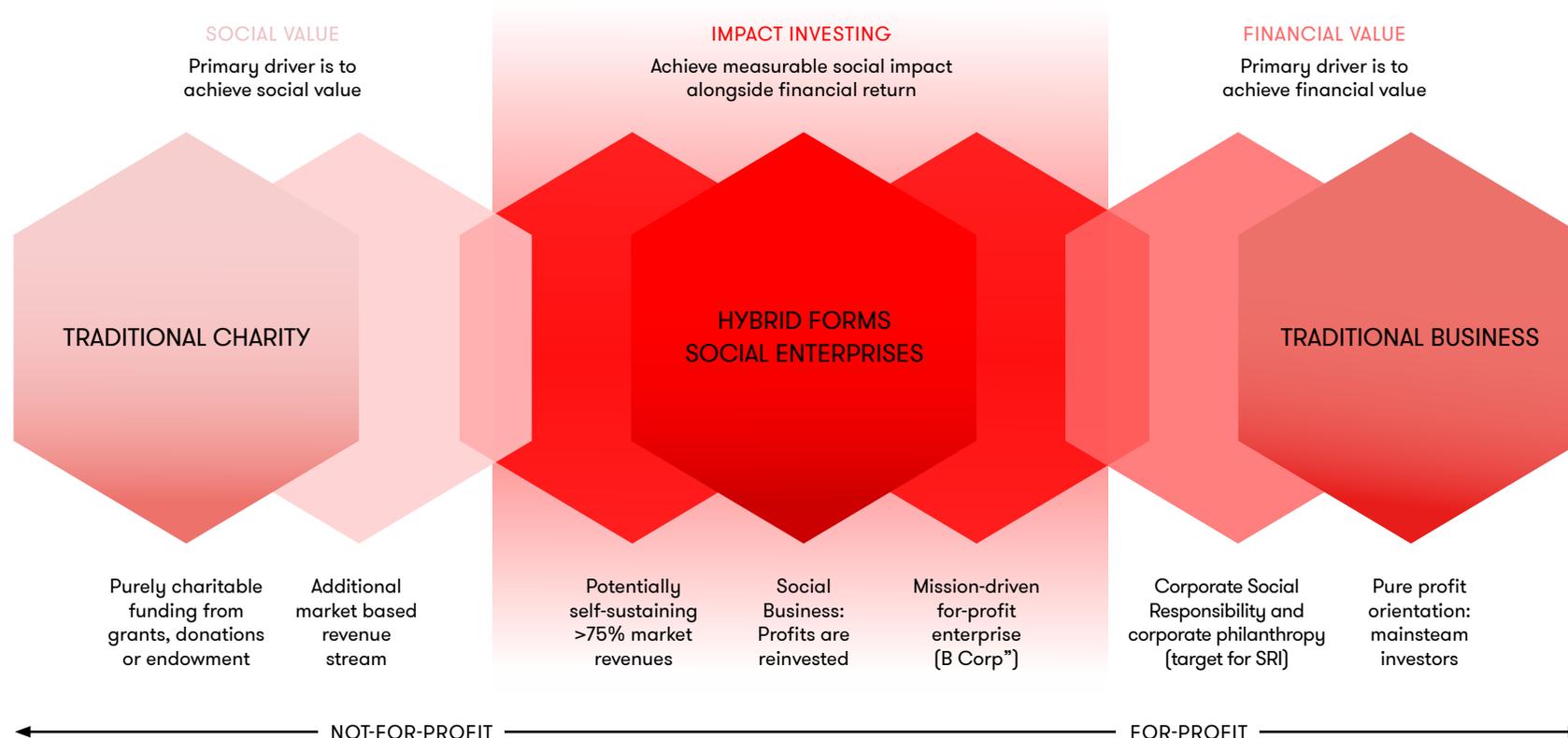
4. Adapted from J. Kingston Venturesome, CAF Venturesome, and EVPA



A key point of difference is the relationship between customers and beneficiaries in the organisational model. Research in this area has suggested that there are four different forms of hybrid, based on two key factors:

- » Are your customers and beneficiaries the same people?
- » Do beneficiaries automatically receive value from the core activities of the hybrid or does the hybrid have to provide additional activities or services to this group to achieve their goals?

## THE BUSINESS MODEL SPECTRUM REVISITED<sup>4</sup>



Based on your answers to the two questions on the previous page the distinguishing features of the four different hybrid forms are set out below.

## INTEGRATED HYBRIDS:

In integrated hybrids, the social and commercial activities are combined. There are two main types:

- » **'Market'** hybrid: in this form, clients (or customers) and beneficiaries are one and the same. Beneficiaries are the customers who pay for a product or service.

For example, The Fred Hollows Foundation manufactures inexpensive intraocular lenses for sale in poor markets where they also train doctors to perform cataract surgery using these lenses. Structural and design features for the social and commercial objectives are considered together and social impacts are combined.

- » **'Blending'** hybrid: as above, but the beneficiaries also receive additional support.

For example, to participate in a microfinance program, customers must be mentored by the organisation. The blended hybrid may be somewhat integrated (same staff service customers and provide training) or, where the training is very complex and specialised, the hybrid may be somewhat differentiated, with different activities and services delivered by different staff.

Integrated hybrids are less likely to be prone to mission drift and experience high external and internal legitimacy.

## DIFFERENTIATED HYBRIDS

When the beneficiaries are not the same as the customers, the social and commercial activities are separated, creating a differentiated hybrid. There are two main forms:

- » **'Bridging'** hybrid: in a bridging hybrid the customers and the beneficiaries are from different groups.

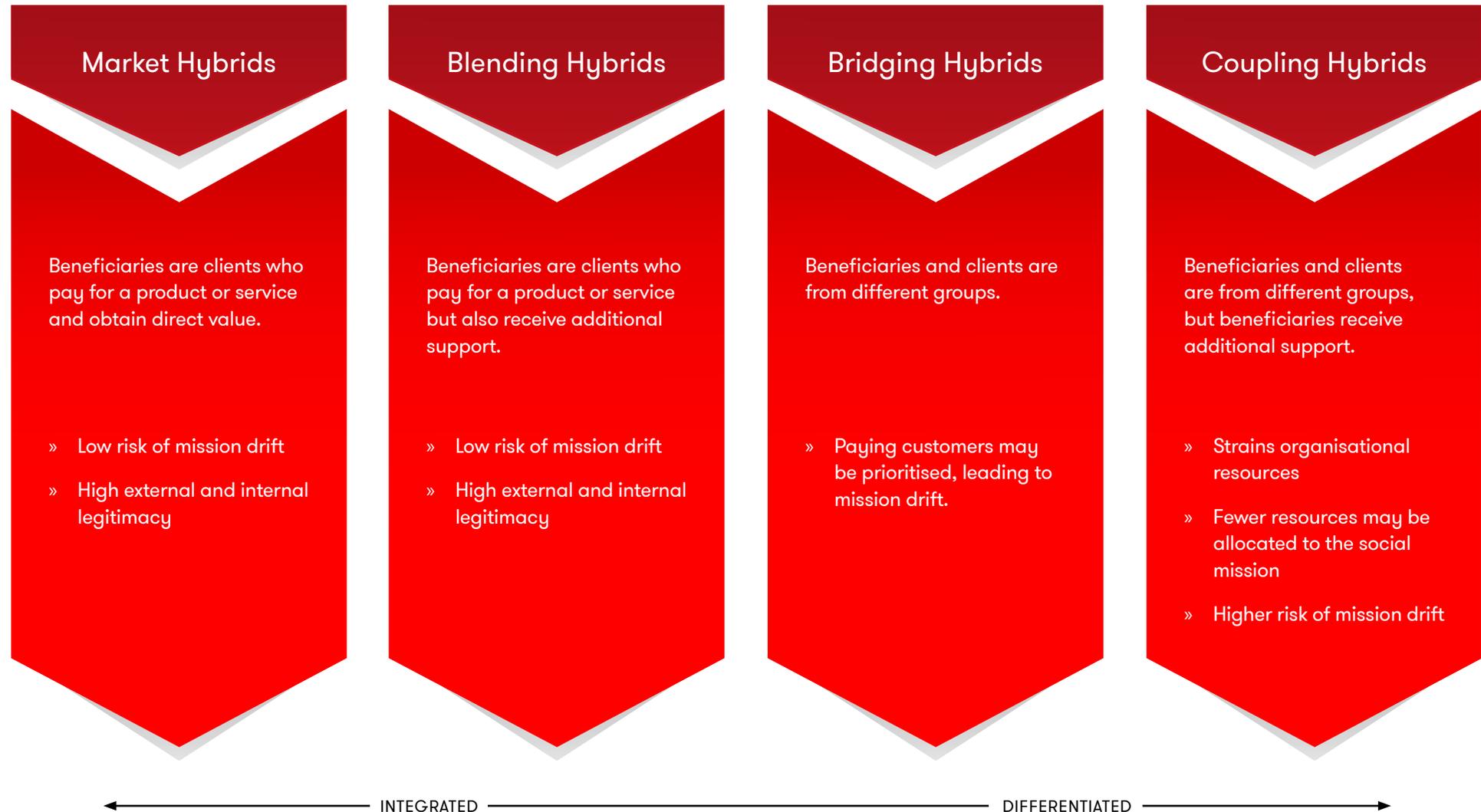
For example, an organisation that sells the same product to different groups but one is higher paying and subsidises the other. This structure carries the risk that higher paying customers will be prioritised, leading to mission drift. Social impacts will be different for each activity, although there may be some cross-over that will need to be actively managed.

- » **'Coupling'** hybrid: a coupling hybrid also separates customers and beneficiaries, with the added complication that social impact is contingent on training that is separate to the commercial side of the business.

For example, a Work Integrated Social Enterprise (WISE) Hybrid serves customers with competitive products or services delivered via a commercial enterprise. The enterprise is staffed by long-term unemployed beneficiaries who may also receive training and counselling support programs. Success is achieved if beneficiaries graduate from this program into jobs outside the WISE. The program can only run effectively if the commercial enterprise is financially viable – the profits subsidise the training and support, in addition to providing employment.

In this form of hybrid, structural and design decisions need to be made about how to treat the separate functions.

The four different hybrid forms are set out below.<sup>5</sup>



5. Adopted from: Santos, F., Pache, A., and Birkholz, C. (2015) Making Hybrids Work: Aligning Business Models and Organizational Design for Social Enterprises. *California Management Review*. 57(3), 36-58. <http://journals.sagepub.com/doi/abs/10.1525/cmr.2015.57.3.36>



## Practitioner Perspective

The Wayside Chapel hybrid approach keeps evolving. Exactly how to position the Heart Cafe within Wayside has been a sometimes heated and always engaging point of discussion at committee, board and other staff meetings.

We have set up a Social Enterprise Committee (SEC) especially tasked to figure out how to develop a Wayside Chapel approach to enterprise. We've developed a legacy of being a self-funded charity and have successfully managed enterprise projects like our op-shops and low cost cafes. The Heart Cafe is the first time we've tried a hybrid form of social enterprise. Currently, the Heart Cafe and Wingspan Project most closely resemble a coupling approach. As we are taking this differentiated approach, Wayside Chapel is applying a 'matrix' management model to treat the separate sections. The 'enterprise' function has a reporting line up through to the Chief Financial Officer who oversees all our commercial activities. Whereas the 'social' function of Wayside Chapel has a reporting line through to the Head of Programs who oversees all program-related activities. In order to ensure we don't suffer mission drift we have set up an internal process where an independent executive (Head of Innovation, Strategy and Social Impact) works as an intermediary within the project. This role is responsible for ensuring that the areas requiring integration are managed appropriately and that all objectives (social and enterprise) are considered and prioritised within an agreed approach to achieve both.

Most research concludes that blended hybrids are less likely to experience mission drift, are more financially sustainable and experience higher levels of internal and external legitimacy. These are important distinctions because they have implications for the management of hybrids, especially in relation to mission drift.<sup>6</sup>

*An alternate differentiated hybrid form may be described as a 'hybrid space', where hybrid activity is contained within a bounded 'unit' within the organisation which protects it from legitimacy problems and internal tensions.<sup>7</sup> Hybrid spaces are appropriate when the organisation can leverage a dominant logic to fulfill a minority mission. For example, universities frequently have hybrid spaces called 'research centres' that utilise the university's dominant logic (nonprofit research and publication) for commercial gain (applied research for profit). A traditional non-profit might consider using 'hybrid spaces' when engaging in for-profit activities that generate income for their social mission, but only if the hybrid leverages the activities associated with the (dominant) social mission. An example at Wayside Chapel is the Kings Cross Op-Shop. It is a commercial enterprise that raises funds to meet the social mission.*

6. Ebrahim, A., Battilana, J., & Mair, J. (2014). The governance of social enterprises: Mission drift and accountability challenges in Hybrid organizations. *Research in Organizational Behavior*, 34, 81-100. <https://www.sciencedirect.com/science/article/pii/S0191308514000082>

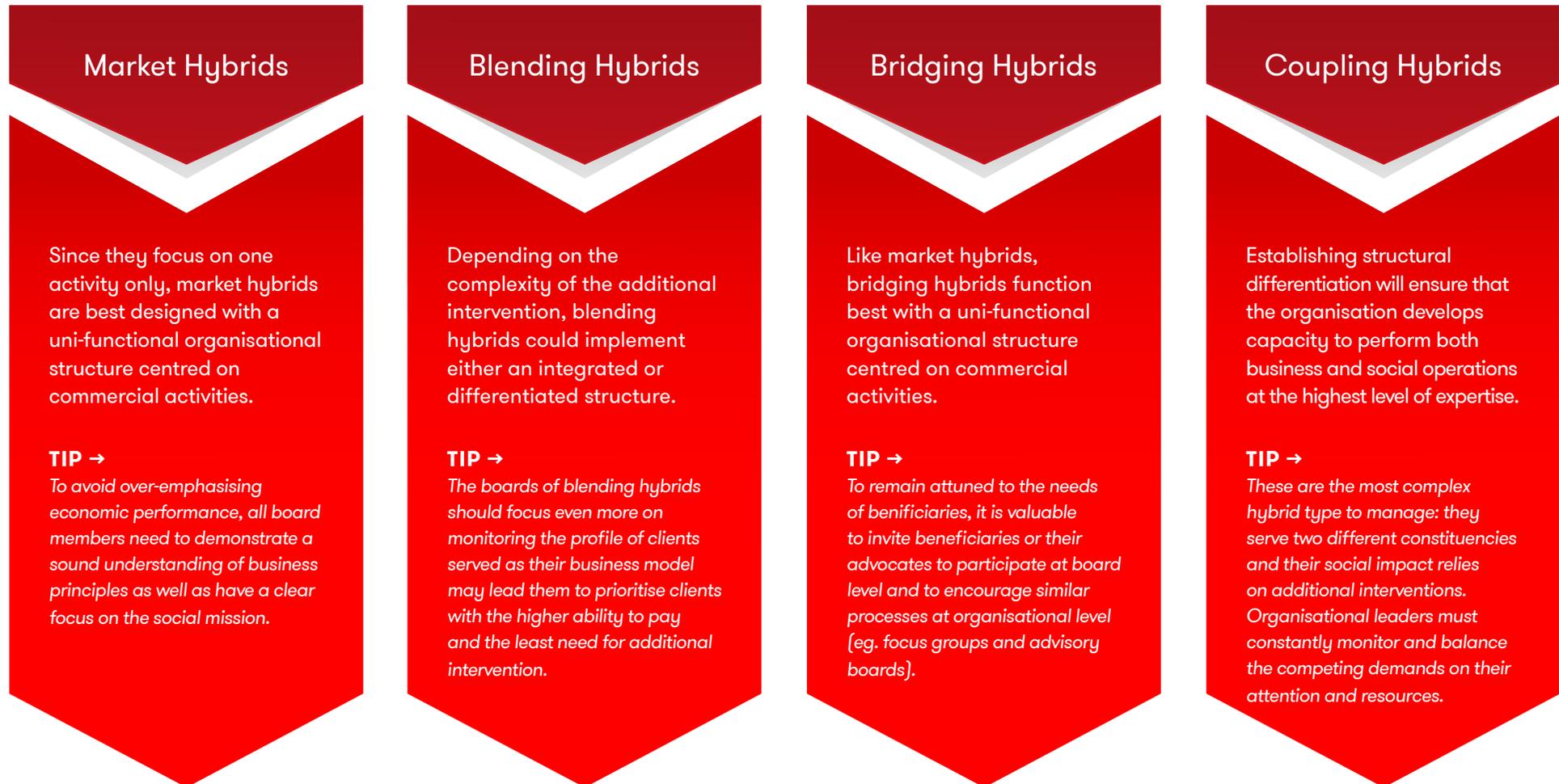
Perkmann, M., McKelvey, M. & Phillips, N. (2018). Protecting Scientists from Gordon Gekko: How Organizations Use Hybrid Spaces to Engage with Multiple Institutional Logics. *Organization Science*, Forthcoming [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3153426](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3153426)

7. Perkmann, M., McKelvey, M. & Phillips, N. (2018). Protecting Scientists from Gordon Gekko: How Organizations Use Hybrid Spaces to Engage with Multiple Institutional Logics. *Organization Science*, Forthcoming [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3153426](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3153426)

## Structural form

A recent study of 70 social enterprises found that half were established as non-profits or for-profits and the other half combined several different forms of legal entities.<sup>8</sup> This guidebook does not offer definitive advice on legal form, but the figure below offers some form and structure tips to consider when developing a hybrid.

### TIPS ON HYBRID FORM<sup>9</sup>



8. Mair et al 2015. See also Logue, D., & Edwards, M. (2013). Across the Digital Divide. *Stanford Social Innovation Review*. Retrieved from [http://www.ssireview.org/articles/entry/across\\_the\\_digital\\_divide](http://www.ssireview.org/articles/entry/across_the_digital_divide)

9. Adapted from Santos, F., Pache, A., and Birkholz, C. (2015) Making Hybrids Work: Aligning Business Models and Organizational Design for Social Enterprises. *California Management Review*. 57(3), 36-58

## Practitioner Perspective

Considering different options around structural form has been very important.

We are aware that our decisions will have an impact on how the hybrid is managed, operated and evaluated. Our considerations are a bit different to setting up a social enterprise as a start-up, because we are setting it up within an already founded charity. We came to the view that if the hybrid shares the same mission and vision, it is better off setting up a sub-brand, and a management and governance framework, rather than setting up a separate legal entity. This is where the matrix management and reporting structure becomes a key feature of the Wingspan Project. Operating within Wayside Chapel's existing structure means that the risks of creating a start-up are somewhat mitigated and we can better leverage our well-established brand.



**Integrated hybrids** work best when one organisational structure or legal entity is established to cover all activities, especially for the part focussed on commercial activities.

**Differentiated hybrids** work best when different forms are adopted for different activities or programs, or if one form is adopted then good internal spaces must be provided to manage tensions.

This is not a strict formula. Consider for example the 'coupling hybrids' that work best when separate entities are established for social and business concerns, so as to develop expertise in both.<sup>8</sup> This approach comes with the need for complex and novel governance and management approaches.<sup>9</sup> As another option, 'coupling hybrids' could operate as a unified entity but implement and manage 'hybrid spaces'. This would require that the organisation's dominant logic is leveraged into the hybrid space.

### Questions

- » What are the goals and priorities of your hybrid?
- » Will you set up a hybrid as a separate entity to your existing organisation or charity?
- » What type of organisational form will best support the pursuit of your goals?
- » Who are your customers, and who are your beneficiaries? Are these the same or different?
- » Does everyone share this understanding?

8. Santos, F., Pache, A., and Birkholz, C. (2015) Making Hybrids Work: Aligning Business Models and Organizational Design for Social Enterprises. *California Management Review*, 57(3), 36-58. <http://journals.sagepub.com/doi/abs/10.1525/cm.2015.57.3.36>

9. Mair, J., and Lutz, E. (2015). Navigating Institutional Plurality: Organizational Governance in Hybrid Organizations. *Organization Studies*, 36, 713-739

**WHY  
HYBRID?**



## Why Hybrid?

Hybrids bring opportunities and challenges that need to be considered strategically before getting into the specifics. The figure on the next page outlines some high level considerations.

Hybrids offer great potential to tap into markets that can provide a steady financial stream to fund your activities to address a social issue. This strengthens your programs as you can diversify funding streams and not be reliant on one source of funding. That return will only come if there are customers or beneficiaries that need and want what you have to offer. So making an offering that is desirable to the right customer or beneficiary is a necessity. Having the right capabilities within your organisation to manage both the social and financial aspects is necessary.

## SWOT FOR HYBRIDS

### Strengths

- » Diversified revenue streams
- » Socially innovative strategies
- » Development of social and business capabilities - recognise contradictions and boundaries by 'structured flexibility'
- » Confront and resolve tensions through integration at operational level

### Weaknesses

- » Incompatible strategies and logics
- » Staffing - managing diverse skills and capabilities
- » Possible conflict over values and the organisational identity
- » Social imprinting over economic performance

### Opportunities

- » Appeal to both business and social audiences, providing a broadened support base and additional funding sources
- » Differentiation of social and business activities

### Threats

- » A need to prove impact to multiple **external** audiences - business and social
- » Mission drift

### Questions

- » Do all people involved in setting up and managing this hybrid share an understanding of the strengths and weaknesses of hybrid models?
- » Does the board and executive team understand the SWOT of hybrid models?
- » If your hybrid is an extension of an existing organisation, have you considered the implications and risks for all parts of the existing organisation and programs, as well as the new venture?



- » Is there agreement that the opportunities outweigh the risks?
- » How will failure be understood? What will failure mean to your staff, stakeholders and their view of the organisation? Is there an opportunity to capture learnings?

# **M**ANAGING HYBRIDS



## Managing Hybrids

### Organisational identity and branding

Mixing different elements together, like a social and commercial purpose, can cause confusion for people inside and outside of your operations. People may become confused about the organisational purpose and image as a hybrid doesn't fit into one organisational form or even industry sector. Too much confusion can cause legitimacy issues.<sup>10</sup> Legitimacy is critical for maintaining the viability of everything you do. Different people (or stakeholders) in and outside your organisation could have vastly different expectations. It is important to be aware of this and proactively manage stakeholder expectations.

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10. Meyer, J., and Scott, W.R. (1983). *Organizational Environments: Ritual and Rationality*. Beverly Hills, CA: Sage. DiMaggio, P.J., & Powell, W.W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48,147-60. <https://pdfs.semanticscholar.org/2d59/338108d3333890089305f15a60b6e5f00c54.pdf>

## Managing internal stakeholders

In general, social services expertise has been informed by a logic of social justice and social policy, whereas financial value draws on expertise from economics, finance and business. A hybrid brings together these forms of expertise or blends them so that people need to be experts in both areas of knowledge.

Employees, managers and other internal stakeholders may experience tensions when working in a hybrid due to the differences in values and beliefs and contrasting conceptions of 'value' held by internal stakeholders.<sup>11</sup> Such tensions arise when staff experience dissonance between seemingly different or even conflicting aims, values or ways of conducting a service.

Hybrids that begin with a single and well-recognised social mission tend to have a strong 'social imprint'. This is a legacy of committed values for achieving a social mission. For some staff, a perceived move away from the pure focus on social mission can cause tension. On one hand, imprinting protects the social mission, but on the other hand it may work against the business mission. Especially when staff with a social background question the moral legitimacy of the business mission and how it impacts beneficiaries.

11. Smith, W. K., & Besharov, M. L. (2017). Bowing before Dual Gods: How Structured Flexibility Sustains Organizational Hybridity. *Administrative Science Quarterly*, 0001839217750826. <http://journals.sagepub.com/doi/abs/10.1177/0001839217750826>



## Practitioner Perspective

So far we have been able to navigate these tensions through our strong social mission.

At Wayside Chapel we would say that regardless of program or enterprise, we are joined by a single purpose. In the case where the Heart Cafe has to make a financial return and be commercially viable, we ask ourselves how do we do this within the context of our mission? Many commercial organisations are guided by profit, and have lost sight of mission-informed decision making. For us the purpose is more important. It's not that there won't sometimes be tensions, but a clearly articulated social purpose will overcome these and guide decision making.

Another tension could arise regarding the operationalisation of the mission. The nature and pace of work associated with business that is efficiency-driven with tight deadlines and carefully measured output is vastly different to social services that have been traditionally values-driven with loosely measured outputs.<sup>12</sup> In a WISE (work integration social enterprise), where social impact is measured by employability of beneficiaries beyond the WISE, the social mission may detract from social impact by impeding the economic efficiency of the hybrid.<sup>13</sup> For example, a cafe with a social mission has real staffing needs associated with business efficiency, such as customer satisfaction and food quality, that may not align with the social mission's objective of consistent employment for beneficiaries.

Alternatively, staff with different values can bring new ideas of how to organise, manage and achieve organisational goals. Recruitment, orientation and on-boarding will be particularly important in developing shared values, a common language and bridging world views. Employees with experience in both worlds are vital as they can act as bridgers and brokers between different internal stakeholders.

## Questions

- » Do existing staff understand the purpose and value of the hybrid and how it will support (widen, deepen) the social mission?
- » Is there orientation and training to explain the purpose, values and develop a shared language for discussing the hybrid?
- » Are there regular updates and spaces where staff can genuinely raise concerns? Or be part of the evaluation?

12. Cooney, K. (2006). The institutional and technical structuring of nonprofit ventures: Case study of a U.S. Hybrid organisation caught between two fields. *Voluntas*, 17(2), 137-161. <https://link.springer.com/article/10.1007/s11266-006-9010-8>

13. Battilana, J., Sengul, M., Pache, A.C. & Model, J. (2015). Harnessing productive tensions in Hybrid organizations: The case of work integration social enterprises. *Academy of Management Journal*, 58, 1658-1685. [http://www.metinsengul.net/pdfs/Battilana\\_Sengul\\_Pache\\_Model\\_2015\\_AMJ.pdf](http://www.metinsengul.net/pdfs/Battilana_Sengul_Pache_Model_2015_AMJ.pdf)



## Practitioner Perspective

The value of the social enterprise Heart Cafe is that it creates the conditions for someone to gain exposure to the requirements and pressures of an actual workplace and develop the skills required to move into mainstream employment.

The social value is only created when someone moves out of the 'supported' workplace environment into mainstream. This is different to the traditional 'shelter' workshops where the purpose of the enterprise is to generate ongoing employment for a particular group in a controlled environment.

## Managing external stakeholders

Hybrids have opportunities to operate through a variety and combination of different legal forms and organisational structures. Identifying the organisational forms can be confusing for external stakeholders.<sup>14</sup> Explaining can be even more difficult. In other countries there is growth in new forms of organisational structures such as Benefit Corporations (US) and Community Interest Corporations (UK) that address this issue.

Clarifying this confusion for sponsors or financiers is crucial. This is especially important for differentiated hybrids ('bridging' and 'coupling' hybrids) that are the most difficult for financiers to categorise and that have a greater tendency to be financially vulnerable. Bridging hybrids may opt to use a cross-segment subsidy model. That is when a high-profit margin client segment subsidises the offering to the low-income segment.<sup>15</sup> Coupling hybrids could adopt a differentiated approach to funding, seeking philanthropic or public funding for social activities<sup>16</sup> and commercial investment for income generating activities. Many hybrids seek their initial funding from the nonprofit sector<sup>17</sup> and may diversify this over time.

This makes branding an important aspect of managing hybrids. Hybrids must establish legitimacy across sectors: they need to present themselves in a way that will appeal to different stakeholders and attract funding and support from market, philanthropic and public sector sources.

14. Battilana, J., Lee, M., Walker, J. & Dorsey, C. (2012). In search of the Hybrid ideal. *Stanford Social Innovation Review*, 10, 51-55. [http://scholar.harvard.edu/files/matt/files/summer\\_2012\\_in\\_search\\_of\\_the\\_hybrid\\_ideal\\_1.pdf](http://scholar.harvard.edu/files/matt/files/summer_2012_in_search_of_the_hybrid_ideal_1.pdf). Logue, D.M. and Zappala, G. (2014). *The Emergence of the 'Social Economy': the Australian not-for-profit sector in transition* (2014): <https://opus.lib.uts.edu.au/handle/10453/29350>

Doherty, B., Haugh, H. and Lyon, F., 2014. Social enterprises as Hybrid organizations: A review and research agenda. *International Journal of Management Reviews*, 16(4), pp.417-436. <https://onlinelibrary.wiley.com/doi/pdf/10.1111/ijmr.12028>

15. Santos, F., Pache, A., and Birkholz, C. (2015) Making Hybrids Work: Aligning Business Models and Organizational Design for Social Enterprises. *California Management Review*. 57(3), 36-58. <http://journals.sagepub.com/doi/abs/10.1525/cm.2015.57.3.36>

16. Santos et al 2015, Mair, J., Mayer, J. and Lutz, E., 2015. Navigating institutional plurality: Organizational governance in Hybrid organizations. *Organization Studies*, 36(6), pp.713-739. <https://mediatum.ub.tum.de/doc/1308098/file.pdf>

17. Battilana, J., Sengul, M, Pache, A.C. & Model, J. (2015). Harnessing productive tensions in Hybrid organizations: The case of work integration social enterprises. *Academy of Management Journal*, 58, 1658-1685. [http://www.metinsengul.net/pdfs/Battilana\\_Sengul\\_Pache\\_Model\\_2015\\_AMJ.pdf](http://www.metinsengul.net/pdfs/Battilana_Sengul_Pache_Model_2015_AMJ.pdf)



## Questions

- » Do you need different messages for different stakeholder groups? For example, one to emphasise mission, and another to emphasise other competitive advantages?
- » What message will attract your customers?

## Working with competing and/or complementary interests

Special attention must be given to managing ‘integration processes’. This means developing decision-making protocols about what streams of work to integrate and what to separate. This should be considered a dynamic issue and revisited over time. Be flexible on the approach to managing tensions between the different streams of work (for example, between the social mission and the commercial goals). On the one hand tension can be productive and the aim is to find synergy, on the other hand they might be destructive and need to be resolved.

As hybrids are still in their infancy stage, research in this area is still developing.

### Some insights include:

- » The board is expected to play a critical role in reconciling competing objectives, resolving destructive tensions and avoiding ‘mission drift’.<sup>18</sup>
- » Managers can actively adjudicate tensions rather than allowing staff to work through conflicts and find compromises:
  - » One successful process for this is called ‘spaces of negotiation’.<sup>19</sup> This is instituted via ‘regulation meetings’ where each staff group listens to the concerns of the other, and ‘formal processes’ of ‘positive confrontation’ where social workers and production supervisors coordinate their schedules. Empowering staff in this way preserves a ‘productive tension’ between the social and business mission and prevents tensions from escalating into conflicts. Managers should find and develop ‘conciliatory’ processes’ for ameliorating destructive tensions between staff from different sides of the dual missions.
  - » KPIs (key performance indicators) that reflect multiple goals are important to align staff with the achievement of dual missions.<sup>20</sup>

- » Develop an empathic organisational practice. Generate a ‘culture of caring’ within hybrids by hiring ‘caring’ individuals.<sup>21</sup> Expose non-frontline staff to the work that directly involves beneficiaries to create empathy for the hybrid’s social mission.
- » Nurture informal, ‘emergent’ activities, such as self-organising inquiry groups within the organisation to empower staff and give rise to social innovation.<sup>22</sup>
- » Approach tensions productively by adopting ‘paradoxical frames’.<sup>23</sup> Managers should adopt the understanding that the hybrid’s dual missions will and can be both contradictory and interdependent. By accepting this paradox, managers are less likely to become mired in resolving tensions and more likely to look for workable solutions.
- » Manage hybrids as adaptive organisations that change over time. Identify ‘guardrails’ – the structures, expertise and relationships associated with each side of the dual mission – that can form a boundary within which experimentation with alternative approaches can take place. Leaders can surface strategic tensions, discuss and clarify goals, experiment with practices to discover a balance or prioritisation between which side of the dual mission is being favoured. And this in turn surfaces tensions and so on. View ‘tensions’ as enabling, and find synergy between logics.<sup>24</sup>

18. Battilana and Lee 2014; Ebrahim et al 2014; Mair et al 2015

19. Battilana et al 2015

20. Battilana and Lee 2014

21. Andre, K., & Pache, A.C. (2016). From Caring Entrepreneur to Caring Enterprise: Addressing the Ethical Challenges of Scaling up Social Enterprises. *Journal of Business Ethics*, 133, 659–676. <https://link.springer.com/article/10.1007/s10551-014-2445-8>

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22. Bright, D.S. & Godwin, L.N. (2010). Encouraging Social Innovation in Global Organizations: Integrating Planned and Emergent Approaches, *Journal of Asia-Pacific Business*, 11(3), 179–196. <https://www.tandfonline.com/doi/abs/10.1080/10599231.2010.500572>

23. Smith and Besharov 2017

24. Smith and Besharov 2017



## Questions

- » In the case of a differentiated structure, do staff have regular, structured meetings?
- » Do staff understand that the focus may shift at different times between goals/missions?
- » How do performance reviews support the pursuit of dual goals?

## Managing the risk of mission drift

Most researchers agree the biggest hybrid risk is when external stakeholders question the legitimacy of the organisation due to mission drift. Mission drift occurs when financial goals overwhelm social goals, or vice versa. This is a big concern when legitimacy claims are different for various stakeholders. For example, the social mission is core to the customer value proposition, but the financial outcomes are most important for financiers or sponsors. Being attentive to and addressing mission drift may require flexibility and movement between goals at different times.<sup>25</sup> For example, when initially establishing a social enterprise, it is necessary to focus on the commercial aspects during the set-up phase, refocusing on the social mission, then again back to the commercial mission. Different challenges require a focus on each goal at different times.

25. Grimes, M.G., Gehman, J. and Cao, K., 2018. Positively deviant: Identity work through B Corporation certification. *Journal of Business Venturing*, 33(2), pp.130-148. <https://www.sciencedirect.com/science/article/abs/pii/S0883902616303111>

## Staff capabilities

There are two main types of staff competencies for hybrids:

1. 'Pluralists' with extensive backgrounds in both social and business fields
2. 'Specialists' who work only on the business mission or only on the social mission.

Specialists are most appropriate when the hybrid is structurally differentiated, pluralists when it is blended. Although senior management and governance positions benefit from both types.

Pluralists are considered ideal to all forms of hybrid, although more rare. Pluralist managers can develop and routinise integrating practices that facilitate other staff involvement, thereby lessening conflict.<sup>26</sup>

A critical consideration in setting up a hybrid is to determine if 'blank-slate' hiring is needed or if there are pathways for developing staff.

'Blank slate' hiring is the practice of recruiting people who have not already been 'institutionalised' in a specific logic.<sup>27</sup> For example, existing research suggests that this may be fresh graduates or people at the start of their working lives, who are not yet conditioned by a particular logic and are more likely to be socialised into a hybrid focus on operational performance. This hiring strategy is not generally appropriate in the initial stages of the hybrid.

The alternative approach is to develop existing staff. When developing staff, managers need to be aware of overcoming 'social imprinting' especially if the approach is to become a 'blended' hybrid. Further, specialists, being experts from either business or social work backgrounds, may have a greater tendency to become competitors within the hybrid. This is not as problematic if the approach is 'coupling' and if pluralists occupy positions where any integration or coordination is required.

26. Battilana and Lee 2014, Perkman 2018

27. Battilana et al 2012; Santos et al 2015; Smith and Besharov 2017



## Practitioner Perspective

At Wayside Chapel we have transferred our 'on-boarding' strategies for recruitment and selection across to the social enterprise.

We recognise this makes us unique in comparison to other Bondi cafes. In our hiring practice we focus on the qualities that fit the commercial and the social purpose (pluralist). Heart Cafe staff have been selected both because of their hospitality capabilities as well as their 'fit' with the Wayside Chapel mission and values.

## Demonstrating value creation and measuring impact

Demonstrating that your activities and programs are making a difference is a critical success factor in program delivery. Measuring impact means measuring the difference you make:

- » What has changed as a result of this program?
- » Has this program made a difference? For whom?

For a hybrid, a tension arises as this ‘difference’ could be interpreted in vastly different ways by key stakeholders.<sup>28</sup> For example, a philanthropic donor may simply want to understand how better outcomes are being experienced by beneficiaries or if more beneficiaries were reached. However, a social impact investor or financier might also want to know how efficiently the program was implemented and if any additional funds were raised to sustain the longevity and amplify the impact for a greater number of beneficiaries.

There are also data collection challenges to resolve:

- » It can be very difficult to collect longitudinal data in relation to beneficiaries to measure the full impact of programs (i.e. tracing beneficiaries or participants in programs after they have exited)
- » Baseline or benchmarking data may also be difficult to obtain, and require estimations using secondary data from other public data or statistical sources (this is often the case when making estimations as to future cost savings to government from a program or where randomised control trials are not possible or appropriate)
- » Organisational data systems are not always set up to collect impact

28. Edwards, M., Yerbury, H. & Burrige, N (2018) Manifestations of social impact in civil society [online]. Third Sector Review, Vol. 24, No. 1, 2018: 97-117. <https://search.informit.com.au/documentSummary;dn=649948061463995;res=IELNZC>

data so may need to be adapted or reconfigured

- » At the same time, any impact evaluation and its associated data collection needs to be designed so that it does not become a (financial or time) burden for the program or enterprise.

Tracking and measuring impact for a hybrid means tracking both:

- » Financial indicators (eg profitability, sales, employee retention, employee performance, market share, expansion)
- » Social indicators (eg attainment of skills/employment, fewer interactions with the judicial system, reduction of homelessness, improved health and well-being)

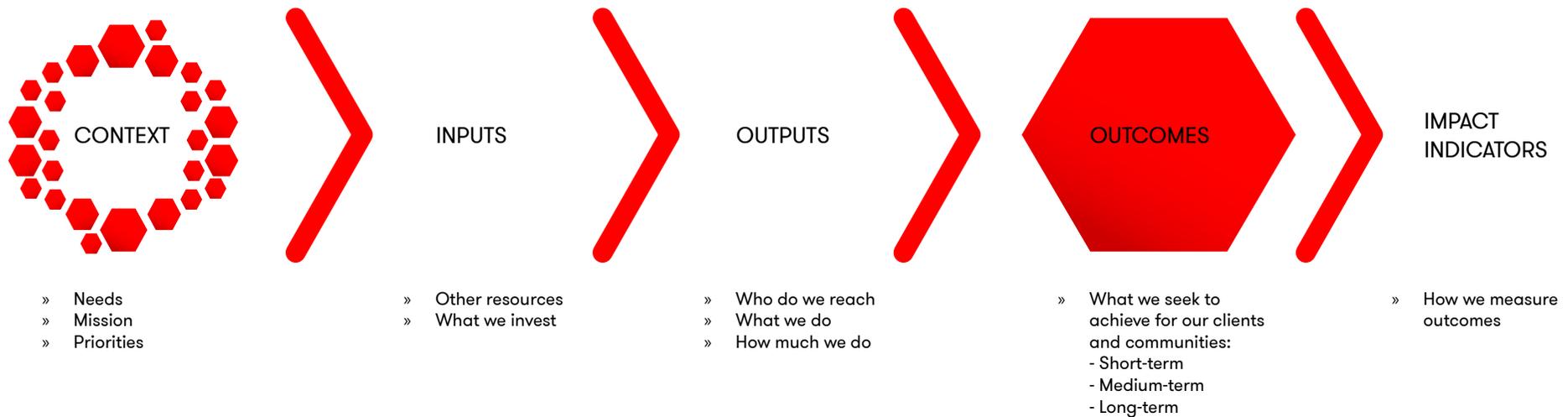
Having a detailed program logic which outlines the activities to be undertaken together with the expected outcomes and how these then link to create impact is essential to any hybrid. It is also useful to consider the likelihood of long-term impacts that arise as a result of creating a sense of belonging and inclusion within a community.<sup>29</sup> The diagram below outlines the basic features of a program logic model and suggests the type of information that needs to be collected.<sup>30</sup>

29. Edwards, M, Onyx, J, Maxwell, H, Darcy, S, Bullen, P & Sherker, S 2015, 'A Conceptual Model of Social Impact as Active Citizenship', *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, vol. 26, no. 4, pp. 1529-1549. <https://link.springer.com/article/10.1007%2Fs11266-014-9480-z>  
 Edwards, M, Onyx, J, Maxwell, H & Darcy, SA 2012, 'Meso level Social Impact: Meaningful Indicators of Community Contribution', *Cosmopolitan Civil Societies: An Interdisciplinary Journal*, vol. 4, no. 3, pp. 18-37. <https://epress.lib.uts.edu.au/journals/index.php/mcs/article/view/2576>

30. Flateau, P, Zaretsky, K., Adams, S., Horton, A., and Smith, J. (2015) *Measuring Outcomes for Impact in the Community Sector in Western Australia*. Bankwest Foundation Social Impact Series No. 1. Bankwest Foundation, Western Australia.

31. As above.

## PROGRAM LOGIC MODEL<sup>31</sup>





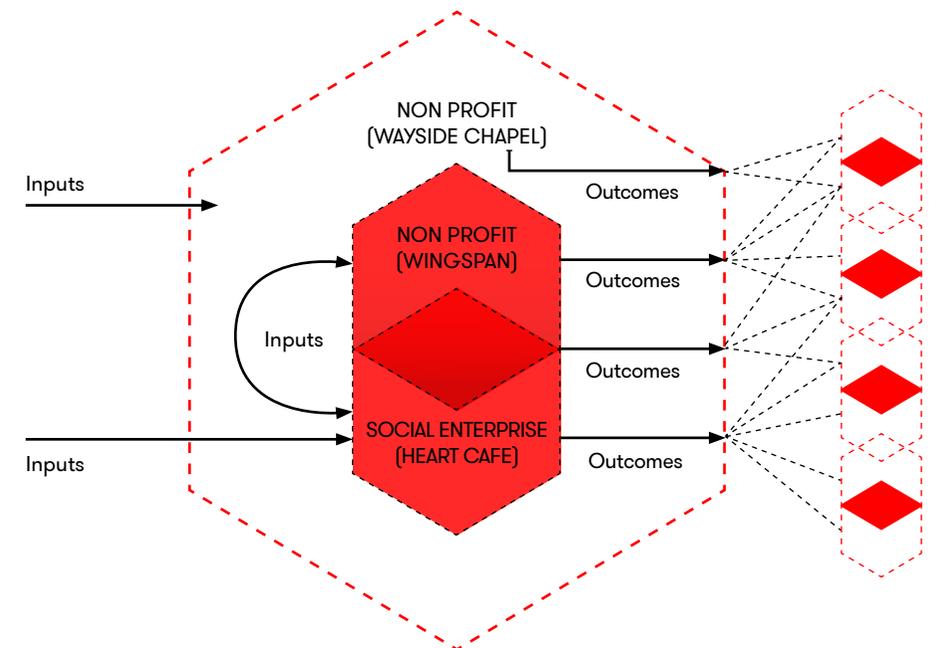
## Practitioner Perspective

Wayside Chapel views evaluation as an integral part of our programs. For the social enterprise we took a research-informed approach by partnering with a university.

We started out with a workshop to develop the overarching theory of change and to consider how youth at-risk would progress through The Wingspan Project. This is important because there are various pathways that a young person could take once they enter the Wingspan Project. Given our coupling strategy, we need to consider if there are specific Heart Cafe impacts and specific Wingspan impacts. The Heart Cafe activities deliver specific hospitality competencies, and the Wingspan activities deliver work readiness competencies. Complementary and interconnected to both of these activities are personal development and improved wellbeing activities. We have considered how these can be separated or need to be integrated so we can track the overall impact of The Wingspan Project. We also need to make sure the outcomes of both contribute toward enhancing broader societal outcomes such as health and wellbeing, increasing employment and reducing homelessness and crime. Overlaying all of this is Wayside Chapel's mission to include young people in their local groups and workplaces as "people to be met, not problems to be solved." We have developed a social impact framework that distinguishes between expected outcomes of The Wingspan Project broadly and the Heart Cafe more specifically at different timeframes. Key outcomes are linked to macro-social indicators that will allow us to track social impacts over time. The framework is specific enough to evaluate the Heart Cafe and The Wingspan Project for individual beneficiaries, but offers potential for the indicators to evolve as the project develops and is refined.

Mapping impacts for a hybrid may not be such a linear process. The structural form will influence the degree to which impacts can be directly attributed to different aspects of the organisational purpose. Impacts may cross-over or be multi-layered across and within different activities. Additionally, the outputs of one activity may be the inputs for another. Below is a conceptual diagram that demonstrates the complex interdependencies between inputs, outputs and impacts for the coupling hybrid using an example of The Wingspan Project and Heart Cafe at Wayside Chapel.

### COUPLING HYBRIDS INTERDEPENDENCIES<sup>32</sup>



32. Conceptual diagram developed by UTS research team.



## Future Directions

Hybrids offer a relatively new way to approach the attainment of both social and financial objectives. As the social and economic fields intertwine to address social issues, we can expect to see more hybrids.

Social investment funds and investors who are comfortable with hybrid business models are on the rise with the emergence of impact investing, venture philanthropy, and social impact bonds.<sup>33</sup> While currently representing a small proportion of the global equity market, social impact investing is expected to exceed \$500 billion in the 'current decade'.<sup>34</sup> Key influences on the uptake of social investing are hybrid 'investment readiness' and 'debt aversion'.<sup>35</sup> Knowing how to manage a viable hybrid will prove to be advantageous in these emerging social markets.

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33. Battilana 2012; Doherty et al 2014; Santos et al 2015; Logue, D. (2017) Explainer: The Rise of Impact Investing <https://theconversation.com/explainer-the-rise-of-social-impact-investing-73357>

34. Ebrahim, A., Battilana, J., & Mair, J. (2014). The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations. *Research in Organizational Behavior*, 34, 81-100.

35. Doherty et al 2014; Logue, D.M., McAllister, G., and Schweitzer, J. (2017). *Doing aid differently: How to help social entrepreneurs and impact investors do good*. Australian Department of Foreign Affairs & Trade. <https://www.uts.edu.au/node/273516/social-entrepreneurship-and-impact-investing-report>



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