

Louvain School of Management

The Hybrid Nature of Social Enterprises

Exploring possible tensions and sources of mission drift

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I. INTRODUCTION

“Social Business is where the heart of Gandhi meets the mind of Henry Ford” -

Kyle Westaway

In this interesting time that we live in, where markets and governments start to fail at their promises of prosperity for all, we are witnessing the rise of hybrid structures that pursue the contradictory objectives of social impact and business sustainability. The way in which social enterprises manage to combine identities, forms and logics that are very often antinomic seems of valuable interest for both academics and practitioners.

As we will expose later in greater detail, hybrid enterprises draw on two or more organizational forms, logics and identities that belong to specific organizations (commercial firms, NGOs/charities, state-owned organizations, cooperatives, etc.). Social entrepreneurship is a specific case of hybrid organizing that is run following what we will call a double objective: social/environmental and commercial. In the past years, scholars have discussed tensions that are associated to the management of this double objective that we will identify and study in this paper, and that we will define in the light of the risk of mission drift or goal displacement that this thesis understands as a situation where a social venture starts to give less priority to either its social or commercial goal.

The research question that we addressed was inspired from an article published in 2014 by Battilana & Lee where the authors make a call for research on the “micro-processes by which mission drift occurs” (p.415).

We will expose those concepts in greater details and referencing them in the literature on the subject. They will be the base for our reflexion along this paper.

The plan that we will follow is the following. After a brief introduction in part I, we will start in part II by exposing the current literature on the fields of research of social entrepreneurship and organizational hybridity - understood as a hybridity of organizational forms, logics or identities - and discuss what the literature suggests about the sustainability of hybrid organizations in general. We will then only focus on the social business type of hybrid, considered by Battilana & Lee (2014) as an ideal type of hybrid for research (Battilana & Lee, 2014; Battilana *et al.*, 2012; Lee,

2014) and we will present the different kinds of tensions listed in the theory that are believed to be a direct and natural consequence of the co-existence of multiple forms, identities and logics within social enterprises. We will then depart from five key areas suggested in the article of Battilana & Lee (2014, p.417) to be areas within social enterprises where hybridity is the most manifest. Those aspects are also believed by the authors to be “critical building blocks” in the organization: (i) the core organizational activities, (ii) the workforce composition, (iii) the organizational design, (iv) the inter-organizational relationships (outsourcing and partnerships), and (v) the organizational culture. From there, we will start to link the tensions identified in the first part with key organizational and environmental features that can either alleviate or increase the internal tensions, and be possible sources of mission drift. We will conclude on this part by introducing our main research question that can be framed as follows: Based on a definition of mission drift that we will discuss, *In which ways do the organizational and environmental features of a social enterprise influence (trigger or alleviate) the areas of tensions associated with the risk of mission drift?*

To answer this question, we conducted a qualitative analysis that we will expose in part III, which led us to interview nine social entrepreneurs from the networks of the *Skoll Centre for Social Entrepreneurship* and the *Acumen fund*.

In the part IV of this thesis, we will discuss our key findings, based on our data. A graphic outcome can be found at the end of chapter IV, in the form of an organigram displaying the links that we identified between three areas of tensions and thirteen related organizational and environmental features, that are - we believe - possible sources of mission drift.

II. LITERATURE REVIEW

Before entering into details, here is a brief overview of the main concepts and key ideas that we will use throughout this thesis.

First of all, we will develop on the notions of social entrepreneurship and hybrid organizing. As we will expose later in greater detail, hybrids draw on two or more organizational forms, logics and identities that belong to specific organizations (commercial firms, NGOs/charities, state-owned organizations, cooperatives, etc.). Social entrepreneurship is a specific case of hybrid organization that is run following what we will call a double objective: social/environmental and commercial. To the management of this double objective are associated a number of tensions that we will identify and study in this paper, and that we will define in the light of the risk of mission drift or goal displacement that this thesis understands as a situation where a social venture starts to give less priority to either its social or commercial goal.

We will now expose those concepts in greater details as they will be the base for our reflexion and our research question along this paper.

1. Hybrid organizations theory & Social entrepreneurship

1.1. Hybrid organizations theory

The concept of hybridity in organizations has drawn the attention of many scholars and authors in the field of organizational science and social entrepreneurship - where it has emerged as a core concept (Besharov & Smith, 2014; Smith, Gonin, & Besharov, 2013; etc.).

From an organizational point of view, hybridity can be defined as the steady state of an enterprise made of several parts, each essential to its essence. Therefore, hybridity is not a “temporary, adaptive” state, to use the words of Battilana & Lee (2014), but rather a core characteristic of the organization. Battilana & Lee use the analogy of the mule which is a true hybrid, possessing a hybrid DNA, in comparison with a chameleon which is not, but can adapt itself to different environments.

Hybrid organizations can take many forms and can be the result of various combinations: government and business, charity and business, banking and social development, etc. Historically, they have flourished in the health and education sectors (Besharov & Smith, 2014) and have

thrived in areas such as job training and microcredit (Battilana, Lee, Walker & Dorsey, 2012). Hybrids can also be found in fields such as the creative arts, where aesthetic and market logics often need to be reconciled, for instance, as demonstrated in the study conducted by Glynn (2000) on the Atlanta Symphony Orchestra.

1.2. Social entrepreneurship: schools of thought & historical background

1.2.1. Suggested definition(s) of social entrepreneurship across the literature

Social entrepreneurship is a specific development of the hybrid organization model that has attracted growing attention from the academic world. Different schools of thought exist on this subject that we will explore here. For the sake of this paper, only the works of Bacq & Janssen (2011) and Hoogendoorn & Pennings (2010) will be cited. Both their works focus on the different schools of thought in Europe and in the United States.

According to the American schools of thought, social entrepreneurship is to be led by the private sector. Public initiatives related to entrepreneurship are seen as a different type of social activity. Bacq & Janssen (2011) suggest that social entrepreneurship in the United States is mainly seen as a private substitute for social welfare. The American Social Innovation School, of which Bill Drayton is a leading figure, puts emphasis on the entrepreneur and his personal characteristics, which enables him to act as a real “change agent” within the society (Dees, 1998). The American Social Enterprise School envisions the entrepreneur as having a secondary role (Bacq & Janssen, 2011) and instead considers the enterprise itself as the central actor of the venture. In addition, they believe that the commercial activities of the enterprise do not necessarily need to be linked to the social mission, so long as the revenues of these activities are used to fund the social initiative (Bacq & Janssen, 2011).

Bacq & Janssen and Hoogendoorn & Pennings identified a school of thought in Europe called the EMES research network (an abbreviation of the French “EMergence des Entreprises Sociales en Europe”), which understands social entrepreneurship as a collective initiative whose success is due not just to one person but to an active group of citizens. This type of social entrepreneurship is seen as participatory and autonomous (Hoogendoorn & Pennings, 2010). Additionally, in contrast with the American Social Enterprise School, the EMES research network promotes a coherent integration between the social and commercial activities of the venture.

Hoogendoorn & Pennings (2010) state that the U.K. approach to social entrepreneurship could not entirely fall under the definition provided by the EMES research network and therefore include the U.K. approach as a separate European school of thought. This school of thought emerged from the legal framework introduced by the Labour Party and the Blair administration in the late 1990s, which promoted social enterprises engaging. The authors point out that this legal framework triggered the rise of social enterprises in the U.K. and thus shaped the difference between the EMES research network and the U.K. school of thought.

According to Bacq & Janssen, there is not a “clear cut division” between these three schools, a conclusion which is also supported by the findings of Hoogendoorn & Pennings. Nevertheless, it is interesting to see how one aspect is slightly emphasised over another, depending on the location and state interventions, as we have seen with the U.K. approach. Hoogendoorn & Pennings (2010) explain how, in the 1970-80s, the economic downturn led to large cuts in U.S. federal funding, reducing its support of non-profit organizations and other social programs. In response to this, the authors explain how those institutions turned to commercial activities to be able to keep serving their beneficiaries. On the other hand, the European approach to the 1970-90s downturn was much more rooted in the social economy or third sector (in comparison to the private sector and the public sector) and resulted in the creation of new organizations. By contrast, in the U.S.A. it was existing private sector institutions that mainly launched social business initiatives.

It would be very difficult to discuss social entrepreneurship without mentioning the work of Pr. Muhammad Yunus, doctor in economics, who was awarded the Nobel Peace Prize in 2006 along with Grameen Danone, a social business venture between Yunus’ Grameen Bank for microfinance and the multinational Danone. Pr. Yunus’ clear explanation of social business makes him one of the most inspiring voices in the field. According to his definition, a social enterprise is a business “created and designed to address a social problem” that follows “a non-loss, non-dividend” philosophy (Yunus, 2009/2011). Besides those two criteria, Yunus gives seven principles exhorting social businesses as financially independent structures (“non-loss”), aimed at fighting poverty, respectful of its workforce and the environment, gender sensitive, and supported by inspired investors who do not seek monetary profit (“non-dividend”).

An important distinction is to be made between traditional corporate social responsibility (CSR) programmes and a social business vision. Alter (2007), cited by Cornforth (2014), distinguishes social enterprises from socially responsible businesses which are businesses that “pursue social goals, but whose primary purpose is still to make a profit for shareholders”.

Throughout the literature and the many examples of this special way of doing business, we can say that - in a nutshell - social entrepreneurship is a much more powerful way to achieve a social goal than charity, and a more intentional action than traditional CSR.

1.2.2. The rise of social entrepreneurship

Although social entrepreneurship has always existed (Roberts & Woods, 2005, cited by Bacq & Janssen, 2011), it is only in recent years that it has received significant attention from the academic world and has grown as a distinct form of organization made up of hybrid institutional logics from the charity and commercial ventures, as will be discussed later. As Bacq & Janssen (2011) put it, social entrepreneurship evolved from a “marginal field of research to a respected one”, although it is not yet a fully developed field in comparison to others.

Some authors also consider the 2007-2008 financial/economic crisis, coupled with the “nanny state” crisis in some European countries, as triggers for social organizations that began to aspire even more for (financial) autonomy and sustainability (Battilana *et al.*, 2012-).

Battilana and her colleagues (2012) go further by suggesting that organizations seek more and more to give a cohesive and coherent core to their enterprise, reconciling their commercial goal and their socially and/or environmentally responsible activities. Their work shows how in the past, on the one hand, commercial enterprises would run their philanthropic programs separated from the rest of the company “at arm’s length from the corporate core activities” and on the other hand charities would raise funds through commercial activities that were not always aligned with the core of what they were doing. Thus, we can say that social entrepreneurship also arose from a corporate willingness to run more coherent and integrated activities away from the strict division between income-generating activities and socially responsible ones. In this way, we can really see how social business arose with the blurring of boundaries between social and commercial sectors in recent decades (Porter & Kramer, 2006 ; Santos, Pache & Birkholz, 2015) after more than a century during which it was assumed that “commercial revenue (...) could not substantially affect or improve on social welfare, and vice versa” (Battilana *et al.*, 2012-).

1.3. Social Enterprises as an ideal type of hybrid

“Such combinations of business and charity lead to patterns of organizing between multiple forms that transcend those described by the CSR and non-profit management literatures. On the continuum of organizations that combine aspects of business and charity, social enterprises thus combine these forms to an extreme degree (Galaskiewicz & Barringer, 2012). For this reason, we propose that they are an ideal type through which to observe the mechanisms that organizations use to make sense of and combine multiple organizational forms.” (Battilana & Lee, 2014)

Some concepts developed in this chapter and the following can be applied to all types of hybrids, but most of them mainly focus on the social business form of hybridity which is what this thesis will focus on. According to various studies (Battilana *et al.*, 2012; Lee, 2014; Battilana & Lee, 2014), the social business type is an ideal example of hybridity, since the charity and business forms have long been considered incompatible.

According to these authors, social business is an “extreme” type of hybrid which makes for valuable research. Lee (2014) adds that social enterprises are an ideal type “for understanding the implications of complexity and hybridity in organizations” as they are “profoundly shaped by the pressures of their disparate, constituent forms”. Battilana & Lee (2014) also cite Billis (2010) who describes social enterprises as “a ready-made laboratory to study a creative variety of hybrid”.

1.4. Several approaches to hybridity

According to Battilana & Lee (2014) whose study was the catalyst for a large part of this analysis, hybridity can refer to different fields of research and be observed as either the hybridity of organizational forms, organizational identities or institutional logics.

Nevertheless, it is also important to remember that hybrids are often the product of all three aspects and that one is not easily isolated from the rest.

This chapter will present the thoughts of different authors regarding hybridity as a combination of organizational forms, identities or logics. The following chapters will predominately focus on the organizational forms approach – such as Battilana & Lee (2014) - to build a list of the pain points or “areas of tensions” that can arise in a social business type of hybrid. Tensions linked to

conflicting organizational identities and logics will be raised but not expanded upon in this paper since they are much more abstract and delicate aspects and hence were not focused on during the data collection process.

1.4.1. Hybridity of organizational forms

One may consider hybridity as a hybridity of organizational forms. Greenwood and Suddaby (2006) define an organizational form as “an archetypal configuration of structures and practices given coherence by underlying values regarded as appropriate within an institutional context”. Tracey, Phillips & Jarvis (2012) likewise see it as a “manifestation of institutional logics” which will be briefly examined later. According to the study of Battilana & Lee (2014) on the social business type of hybrid, hybridity can be observed in some key areas of the organizational life of a social enterprise.

a. Activity integration or differentiation

Firstly, hybridity of organizational forms can be found in the core of organizational activities and the integration or differentiation of the social and economic activities of the organization. The main question to answer here is whether the enterprise undertakes one or two sets of activities to achieve its financial and social goals (Battilana & Lee, 2014). However, this is not always easy to assess, and enterprises can have varying levels of activity integration. For example, Mobile School (n.d.) is a social enterprise whose aim is to provide street children in developing countries with a basic education. In order to finance those activities, the founder of Mobile School created a consulting firm called StreetwiZe that offers training for team work and leadership in corporations based on the skills learnt from the street children (StreetwiZe, n.d.). We can therefore see here how the two sets of activities are very separate. In other cases, the differentiation is less clear. Let us take the example of Work Integration Social Enterprises (WISEs). WISEs are a specific case of social entrepreneurship that can be defined as “autonomous economic entities whose main objective is the professional integration – within the WISE itself or in mainstream enterprises – of people experiencing serious difficulties in the labour market” (Davister, Defourny & Grégoire, 2004). In WISEs, social activities are generally much less demarcated from the economic ones. If we compare them to organizations like Mobile School, both sets of activities are theoretically much more integrated in the everyday life of the company. The commercial aspect of the organization generates income for the enterprise and the employees as well as providing the latter with valuable professional experience. Thus, it is not always clear where the social start and where

the commercial begins. WISEs are not an exception, and it is generally difficult to assess whether a social enterprise runs differentiated or integrated activities. This is the reason why we will rather talk of *levels* of activity integration. Arguably, based on the instances provided by Battilana & Lee (2014), a good indicator of the level of activity integration would be the ratio of non-commercial activities, those which advance solely the social goal - in WISEs, it could concern health training or assisting with housing issues, administrative documents, etc. - to commercial activities, that can also advance the social goal (training in sales and other commercial-related skills, core business activities, etc.). The higher the ratio, the lower the level of activity integration. Using this idea, WISEs would show a medium level of activity integrations. Let us now take the example of Bottom of the Pyramid (BoP) business models. Traditionally, the BoP has been defined as the global neglected markets, or low-income markets (Sanchez & Ricart, 2010) and presented present as a very large economic opportunity in the times to come - we can refer here to the work of Prahalad “The Fortune at the Bottom of the Pyramid” (2006). In their article published in 2015, Santos and his co-workers (2015) explain how in the recent years, many enterprises have been developing BoP business models as a way to serve “low-income customers (...) in a sustainable way”, or profitable way. Santos *et al.* (2015) add that “in these models, products are designed in such a way (e.g., packaged in smaller quantities, produced with basic quality, or built upon technological innovation) that they can be produced and sold for an affordable price to poor clients”. Therefore, in those enterprises, the goal of social impact is generally perfectly embedded in the financial objective. Those organizations should therefore present higher levels of activity integration, according to the article of Battilana & Lee (2014).

Although organizations have some room for choice when it comes to the level of activity integration they want to pursue, this will somehow also depend on the nature of the mission they choose to embrace, but especially on the way they act on it. To use the examples mentioned by Battilana & Lee (2014), microfinance institutions usually tackle the social problem of “underemployment and poverty” via a unique set of activities. Arguably, this is made possible as they choose to work with people who have the ambition to be entrepreneurs and set up their own (micro)-enterprise. On the other side, WISEs usually tackle the same social problem of underemployment and poverty but they do so by providing jobs and training rather than loans.

b. Organizational structure & inter-organizational relationships

Secondly, hybridity of organizational forms can be found in the (2) organizational structure, which mainly raises questions of the distribution of tasks between members (Kraatz & Block, 2008 cited by Battilana & Lee, 2014; Pratt & Foreman, 2000 cited by Battilana & Lee, 2014), the control and

incentive system, and the governance and board composition. The third area of the hybridity of organizational forms concerns the inter-organizational relationships which refers to the access to capital and the outsourcing relationships.

Those areas of hybridity can potentially become pain points and create the conditions of mission drift as we will see later.

1.4.2. Hybridity of organizational identities

Some authors also see hybridity as a combination of organizational identities which are defined as “the central, distinctive and enduring feature[s] of an organization” (Albert & Whetten, 1985 cited by Battilana & Lee, 2014 and Moss, Short, Payne & Lumpkin, 2010). Hybrids generally combine identities that would not be expected to coexist under normal circumstances (Albert & Whetten, 1985 cited by Battilana & Lee, 2014). Regarding social enterprises, Moss and his colleagues (2010) discuss two primary conflicting identities: the “utilitarian identity” which is entrepreneurial and product oriented, and the “normative identity” which is more people oriented and focuses on the social mission of the organization.

Battilana & Lee take an interesting stand when they say

“The presence of multiple identities in social enterprises may be both generative and constraining, as multiple identities provide a broader range of identity elements on which to draw, but also a greater risk of sanction from organization members and external constituents who identify with one of the constituent forms but not the other.” (Battilana & Lee, 2014)

We can deduce that it is not so much the multiplicity of identities that allows for instability, but rather the way in which members identify with them.

The authors go on to argue that hybrids can be divided into two categories: the “holographic hybrids” where the multiple identities are shared by the whole group and the “ideographic hybrids” where identities are instead carried by distinct subgroups within the organization. The authors use this typology to draw attention to the workforce composition of hybrids that can be a point of tension. A legitimate hypothesis would be that “holographic hybrids” experience less internal conflicts and less risk of mission drift. Battilana & Lee (2014) also highlight “hybrid” managers or “pluralists” who fully embrace the organization’s hybridity and whose presence –

corroborated by the findings of Besharov (2013) - positively influences the employees' identification to the hybrid nature of the organization and limit the level of internal conflict.

1.4.3. Hybridity of institutional logics

Finally, Besharov & Smith (2014) present hybridity as a combination of different logics or rationales. McPherson & Sauder (2013) define institutional logics as “macro-level belief systems that shape cognitions and influence decision-making processes in organizational fields” and “can be used by actors in a contested environment to influence decisions, justify activities, or advocate for change”. Logics can therefore be seen as the underlying foundation of an organization's vision and tools that can be used by its members for different purposes and to achieve different goals. Besharov & Smith (2014) focused their research on the level of centrality and compatibility within a hybrid. Different combinations of logics compatibility and centrality can lead to higher or lower levels of internal conflict within hybrids which, in a social business, can result in mission drift.

a. Compatibility of logics

Besharov & Smith (2014) define it as “the extent to which logics provide contradictory prescriptions for actions”. More simply, the compatibility of logics concerns the relationship between logics and how consistent they are with one another, suggesting that they do not require contradictory actions or visions. Besharov & Smith add that a consistency in the goals is more important for the compatibility of logics than consistency in the means. Whether there is compatibility of different logics within an organization or within a field depends on several aspects that will be developed below, based on the article of Besharov & Smith (2014).

Firstly, if there are different professional groups represented within the enterprise or the field, the level of (1) jurisdictional control exercised by each group can decrease compatibility between the logics. The different professional groups might want to secure a certain level of jurisdictional control when there is equal repartition of power in the organization or in the field and when each group is convinced of the uniqueness and the incommensurability of its own logics.

The second element that can influence the level of logic compatibility is the (2) hiring and socialization policies of the enterprise. Using the work of Battilana & Dorado (2010) that compared the hiring practices of two microfinance institutions (MFIs) in Bolivia, Besharov & Smith (2014) argued that hiring young recruits who do not carry the logics represented in the

organization (here the banking and the social work logics) can be a good practice to increase their compatibility. In the same vein, appropriate socialization policies “which teach and reinforce desired behaviours and values in hires” (Van Maanen & Schein, 1979 cited by Battilana & Dorado, 2010) can be a tool to increase logic compatibility, especially when new recruits belong to one field in particular (e.g. the banking sector or the social work sector). Socialization is supposed to encourage contact between the different professions and exhort everyone to embrace the hybrid nature of the enterprise.

In the end, (3) the members’ own characteristics are critical when it comes to logic compatibility. Indeed, employees are the ones who “draw on, interpret and enact logics” (Battilana & Dorado, 2010) so members who possess multiple logics and act on them increase the overall logics compatibility within the organization.

b. Centrality of logics

The other dimension of logics relationships - as exposed by Besharov & Smith (2014) - has to do with centrality. This paper will adopt their definition of centrality as “the degree to which multiple logics are each treated as equally valid and relevant to organizational functioning” (p.12).

In certain hybrids, the logics are not central, meaning that the core of the activities is dominated by a single logic while the others are peripheral. In ‘true’ hybrids however, the core is influenced by a whole set of different logics and “multiple institutional demands permeate work activities in the organizational core, rather than being split between core and periphery” (Besharov & Smith, 2014).

This concept of logic centrality is useful to distinguish organizations that have a strong CSR policy from the real social enterprises. In a traditional company with a strong CSR policy, the core is still influenced by a sole market logic while the CSR logic (social and/or environment logics) is mostly peripheral - also exposed in the article of Battilana & Lee (2014).

The findings of Besharov & Smith (2014) suggest that hybrids that present a high level of logic compatibility and logic centrality will usually endure minimal levels of conflict - which is quite intuitive. Nevertheless, the type of hybrids that face even lower levels of conflict present a high level of logic compatibility and low level of logic centrality. We can see therefore that a desired combination always involves high levels of logic compatibility and preferably low levels of centrality - which can be counter-intuitive at first. However, from a mission drift point of view it

seems clear that a high centrality of logics combined with no clear hierarchy between them means a continual conflict at the core of the organization and possibly contradictory prescriptions for action.

Those three approaches to hybridity as a mix of organizational forms, of identities (or rationales) and institutional logics make explicit reference to the findings of institutional entrepreneurship (Tracey *et al.*, 2011) and neo-institutionalism - an area that studies the interactions between those three elements within an organization.

2. Is the hybrid form sustainable?

Throughout the literature, scholars have studied the impact of hybridity on the performance and health of the organizations that embrace it.

2.1. Authors & studies on the sustainability of the hybrids

Some scholars argue that hybrid structures—not only social business hybrids— can successfully reach an equilibrium and retain their hybridity of organizational forms, identities and logics. Indeed, in their study on a French restaurant, Rao, Monin & Durand (2005) showed how two or more types of logic (here the classical and the *nouvelles* cuisines) can be successfully combined and strongly contribute to the survival of the venture. According to them, logic blending is a positive and pioneering work that helps with the blurring of “categorical boundaries” and fosters the creation of new organizational forms.

McPherson’s & Sauder’s findings (2013) corroborate this idea that hybridity is sustainable and often key to the success of certain ventures. Their study of a drug court showed that often “coexistence of logics” is a necessary part of many organizations. In the case they studied, very conflicting logics - including the logics of crime punishment and rehabilitation - had to be reconciled in order to produce the right outcome. However, in this case, it is crucial that the actors know how to position themselves “at the intersection of multiple institutional fields”, each field representing a different “set of expectations” (McPherson & Sauder, 2013).

2.2. Authors & Studies on the non-sustainability of the hybrids

Nevertheless, a large number of scholars also argue that hybridity brings out more tensions than benefits - from an organizational point of view. They expose that many pain points will inevitably arise with the cohabitation of different organizational forms, institutional logics and identities, and the divergence of goals and values. Smith, Gonin & Besharov (2013) talk about the “competing demands” and the “ethical dilemmas” that are likely to arise in such a situation. Those elements can eventually lead social businesses to experience a “mission drift” also called “goal displacement”. According to the literature, mission drift - in the context of social entrepreneurship - is when a social enterprise finds itself in a situation where its founders or directors start to give less priority to their social mission and choose to prioritize financial success over social impact. Many scholars define it as the process by which the commercial goal eventually takes over the social mission ; as a “rerouting of time, energy, and money away from an organization’s values, benefits, and beneficiaries (i.e., its social mission)” (Jeter, 2017) - In the context of a social enterprise, she uses the article of Cornforth (2014) and adds that “this usually means that business concerns take on increased emphasis as opposed to an organization’s social mission, diverting attention, resources, and focus away from the social mission”. The key concept here is that mission drift is approached as a specific situation, an exception, and only concerns the social aspect of the venture being overlooked. Those are concepts that we will slightly challenges later on.

Mission drift is not specific to social enterprises. Weisbrod in his article “The pitfalls of profits” (2044), talks about those “tax-exempt charities” in the United States that slowly become more commercialized and less social, using their favors as charities to beat their competitors, leaving them with a felling of an an “uneven playing ground”. Marshall (2013) cited by Cornforth (2014) also talks about the “demutualization” of some co-operatives as an example of mission drift. Nevertheless, although mission drift can happen in any type of organization within the social sector, Ebrahim, Battilana & Mair (2014) argue that the risk is even more present in social enterprises.

“Although the risk of mission drift is not specific to social enterprises, it is especially acute for them for two main reasons. First, because they are dependent on commercially generated revenue in order to financially sustain their operations, they are inherently at risk of giving priority to their commercial activities – which enable them to generate revenues and thereby survive – over their social activities which enable them to achieve

their mission. Second, the consequence of mission drift for social enterprises is severe as it threatens their very *raison d'être*: if social enterprises lose sight of their social mission, they will fail to achieve their goals of delivering social value to their beneficiaries.” (Ebrahim *et al.*, 2014)

However, this thesis suggests that mission drift - in a social entrepreneurship context - can also be understood as the situation where a social venture loses sight of its commercial goal, which is still in accord with the view of Ebrahim and his colleagues on the social venture: “Social enterprises are accountable for both a social mission and for making profits (or surplus). By virtue of their hybrid nature, they are therefore required to achieve both social and financial performance.” (Ebrahim *et al.*, 2014).

In this light, mission drift can logically result in three different outcomes. The social business can either transform itself into a fully commercial venture, into a charity or a state-owned organization, or alternatively disintegrate as a business altogether. It seems that the most common cases are the second or third of those outcomes, echoing the definition generally given to “mission drift” in the literature, as previously outlined. In fact, when a social enterprise is no longer financially sustainable and drifts away from its economic goal, it is more likely that it will be dissolved altogether rather than transformed into a charity. Such was the case with Aspire, a promising WISE for homeless people based in Bristol (U.K.) whose attempt to expand to the rest of the country unfortunately ended up in the closure of the company in 2004 (Pache & Santos, 2013; Tracey *et al.*, 2011). It is also possible that mission drift can lead a social enterprise to become a “subsidiary of the state” (Cornforth, 2014).

Mission drift can also occur with the takeover of a social enterprise by a fully commercial firm (Page & Katz, 2012). A famous instance of this is Unilever’s acquisition of Ben & Jerry’s in 2000 that initially started as a social enterprise with an environmental focus.

3. The dynamic of tensions within social enterprises

This section will present the tensions that can foster mission drift in a social enterprise. We will see that those tensions are in fact due to the very nature of the social venture, and are intrinsic, but that specific organizational & environmental features can increase or alleviate them.

Although some social enterprises lose their hybrid nature due to an external event like a takeover - as we have previously exposed - in most cases, mission drift occurs through “micro-processes”

(Battilana & Lee, 2014) and small internal changes, whether consciously or not. Indeed, according to the literature, mission drift is generally the result of “less visible changes to working practices or the nature and quality of the services the organization provides” (Cornforth, 2014). It is also important to discern whether what is taking place is merely a temporary adaptation - to preserve the firm’s existence - or if the change falls into the mission drift category of change.

The most famous examples of mission drift are probably found in the field of microfinance. Several authors report that in the 1990s, commercial and microfinance banks started to better grasp the size of the market at the base of the pyramid and some microfinance institutions started to drift away towards more traditional form of banking. According to some authors, like Harford (2008), those events led the entire field to lose a bit of its innocence as he explains in his article “The battle for the soul of Microfinance”. A very famous example is the expansion and later IPO of Mexican MFI Compartemos. In his article Harford explains how Compartemos was profitable enough to lower its rates without compromising on its social mission, but chose not to. We can imagine here how a series of similar decisions led them into going public and drifting away from their social mission.

However, it is worth noting that the way MFIs have traditionally sustained themselves - through grants and state subsidies - was doomed to failure in the long term according to some authors (Carrick-Cagna & Santos, 2009). One could argue that this could be a reason why so many of them sought to secure their activities through more traditional banking activities. Nevertheless, different models of microfinance exist, and MFIs do not have to become traditional banks to sustain their activities. Kiva for example, is a non-profit money lending platform that covers its costs thanks to donations and grants and whose loans are secure via a peer-to-peer model. The non-profit acts as an intermediary between private lenders (who can invest as little as 25 USD) and impoverished entrepreneurs around the world who need a loan - through partnership with local MFIs where the money is transferred.

3.1. The intrinsic tensions of social enterprises

Changing the world is no easy task, and social entrepreneurs strive everyday to sustain enterprises bridging across several sectors, trying to reconcile contradictory values and objectives. Smith, Gonin & Besharov (2013) have researched the tensions that are inherent to social enterprises and hybrids.

3.1.1. Paradox of performing & Assessment tensions

Smith *et al.* (2013) suggest that one of the greatest challenges faced by social entrepreneurs is “to define success across contradictory goals” and to manage what they call “performing tensions”- or “paradox of performing” (Smith & Lewis, 2011) - a situation that Jay (2013) describes as the “ambiguity about whether certain organizational outcomes represent failure or success”.

A consequence of this uncertainty of outcome also concerns the performance measurement, and the tools and metrics used for this purpose. This situation can create what is called “assessment tensions” (as mentioned in the work of Smith *et al.* (2013) and Cornforth (2014)) that refer to the strong difference in the assessment of the social and financial performance, and the relative difficulty to measure advancement towards the social mission - since the cause-effect knowledge is often incomplete for social impact (Ebrahim *et al.*, 2014). This situation creates a kind of incapacity to accurately compare the financial and the social results of the social enterprise. (Smith, Gonin, & Besharov, 2013) as well as comparing their social impact with other social organizations (Ebrahim *et al.*, 2014). Indeed, each social business has its own criteria and sometimes its own metrics to assess its objectives. As previously mentioned, those results can sometimes appear as “both success and failures” depending on the lens they are observed through (Jay, 2013). Smith *et al.* (2013) and they also remind us that, according to research, when different metrics are used, one will tend to dominate - usually the most quantifiable, less ambiguous one generally associated with financial performance.

3.1.2. Resource allocation

How to allocate the different resources (financial, human, etc.) to the advancement of each goal is a question that social entrepreneurs need to confront on a daily basis. However, this is especially true for the managers of differentiated social enterprises. Intuitively, in enterprises with high levels of integration, the achievement of the financial goal is supposed to lead to greater social impact but in differentiated social ventures, with a commercial branch subsidizing the social mission, the question of how to allocate the income generated by the commercial side of the firm is real, according to Battilana & Lee (2014). The authors also point out to the importance of “attentional resources” from the leadership. The amount of interest and attention from the top leadership to both of the goals is key in maintaining the equilibrium within the firm.

3.1.3. Identity tensions (normative & utilitarian identities)

Performing and assessment tensions usually trigger questions regarding the identity and the purpose of the venture, also called the “belonging tensions” by Smith *et al.* (2013). According to the authors, members of a social businesses usually struggle to figure out who they are and what they do, individually and collectively, which can trigger internal conflicts. Employees might also find it difficult to juggle those identities when dealing with different stakeholders (investors, donors, clients, beneficiaries, etc.).

3.1.4. Multiple time horizon

Just as the different goals need different metrics, they also need to be referred to different time horizons. Those tensions are actually tightly linked with the assessment tensions exposed above and the resource allocation issues (Battilana & Lee, 2014; Moizer & Tracey, 2010). Indeed, while financial performance can be assessed in the short term, the outcome of the social mission is usually set up for the long-term and might take more time to be observable. In the same vein, investing funds in the short term of the company - usually the commercial side - is much more rewarding in the first instance but may raise problems for upholding the dual objective. Therefore, managing different time horizons can result in “conflicting prescriptions for strategic action” (Smith *et al.*, 2013).

3.1.5. Resource dependency

Other tensions inherent to social businesses are related to what is called the “resource dependence pattern” which is a subject raised by several authors (Ebrahim *et al.*, 2014; Cornforth, 2014; etc.). We have seen in the previous point that allocation of resources is a source of tensions for social enterprises, but maybe more important are the tensions generated by the resource dependency towards one or more constituencies. Research shows that hybrid organizations tend to comply with “the demands stemming from external constituencies on which they depend for key resources”, while they are “more likely to resist the demands from constituencies on which they do not depend” (Battilana & Lee, 2014). This can create the conditions for mission drift in social enterprises. Battilana & Lee (2014) mention the dependence of social enterprises on funders. Ebrahim and his colleagues also cite the work of Edwards & Hulme (1996) on the dependence on official funding that NGOs and grassroots organizations can find themselves into. Cornforth (2014) is more general and talks about more than just financial resources, mentioning the

dependency that organizations can have towards “equipment, raw material and labour”. Cornforth (2014) also talks about three conditions “that affect the degree of dependence”: (1) “the importance of the resource to the organization”, (2) “how much control those that provide the resource have over their deployment”; and (3) “whether there are other sources of the resources or whether the provider has a monopoly”.

Resource dependency and accountability to several stakeholders is often seen as one of the main pain points in social ventures as they are reporting to entities that have almost opposite objectives (Ebrahim *et al.*, 2014).

Ebrahim and colleagues use their findings to show the tension that exists between what they call an “upward accountability” towards the powerful stakeholders who control the resources (investors, owners, etc.), and towards which the enterprise can develop a dependency, and a “downward accountability” towards weaker constituencies of the organization, like the staff, the supporters, the partners and even the beneficiaries. (Edwards & Hulme, 1996). Indeed, in the case where clients and beneficiaries are two separate groups, the clients of the venture are a much more powerful group of stakeholders than the beneficiaries, as the company relies on them for part or the totality of their income.

Although resource dependency is an issue faced by all social enterprises, the degree to which it is experienced can be very diverse across the different types of social businesses, and certain organizational features can increase or lower the dependence as we will later explain in greater detail.

To conclude on this section, the risks of mission drift are inherent to the nature of social entrepreneurship, and mostly due to day-to-day small and big decisions along the way (Battilana & Lee, 2014; Cornforth, 2014). However, as we will see now, there are some characteristics that can increase those tensions, and may partly explain why some social ventures end up compromising on their social or financial goals.

3.2. Possible organizational & environmental features that can influence the intensity of tensions experienced by social enterprises

In this chapter we will approach hybrid organizing through the lens of organizational forms that we have exposed earlier - and see how this impacts the tensions experienced by the social business type of hybrid. We also chose to include some environmental features that we believe have the

potential to increase or alleviate those tensions as well. As we will see, some combinations of features allow for greater stability than others (Young, 2012 cited by Cornforth, 2014), and some features can potentially be sources of mission drift.

However, before presenting the organizational & environmental features we believe have an impact on the degree social businesses experience those tensions, we want to point out that a large part of them are a consequence of the type of social mission that the entrepreneurs embrace. Selling solar lamps at the BoP is a different challenge than giving jobs to long-term homeless people. This aspect is not an organizational or an environmental feature per se, but will influence many of them as we will explore later in greater detail.

3.2.1. The nature of the social mission - clients, beneficiaries & value spillover

Santos, Pache and Birkholz are key authors in the field of hybridity. In 2015, they published an article about a study they conducted on the structures and types of social enterprises most prone to mission drift. They used two dimensions to build their typology. The nature of the clients and if they also happen to be the beneficiaries of the organization, and the nature of the value spillover generated.

The first dimension is not to be confused with the concept of activity integration although they are closely related. Although it would make sense that highly integrated social businesses, conducting one set of activities, would serve clients that also are the beneficiaries of their social mission, it does not always happen. Insta Products - an inspiring social business supported by the Acumen fund - produces low-cost highly-nutritious porridge in Kenya (Acumen fund, n.d.) via an integrated set of activities but sells its product to NGOs that then supply the product to the real beneficiaries of the social mission.

The second dimension on which Santos *et al.* built their typology is the the nature of the value spillover - or positive externality - generated by the organization. According to their research, whether a social enterprise generates a positive impact on the community it serves is not always simple. Some social businesses generate automatic value spillover when the good or service they offer results in an automatic social impact - for example, selling solar energy devices in developing countries. However, some others will most likely have to engage in extra work to ensure that their activities generate the intended impact. Microfinance institutions, for example, typically need to engage in mentoring and supporting along the loan to ensure that the borrowers

invest in the building of their community via micro-entrepreneurship, investment in health care or education, and is not wasted in gambling or alcohol for example.

Based on those two dimensions, the nature of the clients and the value spillover, Santos *et al.* (2015) propose a typology of four hybrids with various levels of exposure to the risk of mission drift. According to their research, organizations that face the lowest risk of mission drift are what they call the (1) “market hybrids” where the value spillover generated is automatic and the clients and the beneficiaries are one group of persons - which is typical of the BoP business models. These hybrids usually achieve financial sustainability easily. (2) “Bridging hybrids” on the other hand are a type of organization where the positive impact is automatic but the beneficiaries don’t generate income that is secured through the clients of the venture. Those organizations can struggle to achieve financial sustainability. Aravind for example, is an eye hospital in India that treats two kinds of patients, those who pay and those who don’t. According to Santos *et al.* this kind of hybrid face intermediate risk of mission drift that is mainly due to the “resources dependence pattern”. A temptation faced by those hybrids is to favour their paying clients at the expense of their beneficiaries. Another type of hybrid with intermediate risk of mission drift are called the (3) “blending hybrids” - the value they create is not automatic and requires extra work but their clients are their beneficiaries. Microfinance institutions, for example, are blending hybrids. Finally, the authors caution against a certain type of hybrid called the (4) “coupling hybrids” where the value spillover is not automatic and where the enterprise serves two separate constituencies namely its clients and its beneficiaries. Although those enterprises can achieve success, they are most prone to mission drift and will generally face resource dependency issues and struggle to secure their finances. A good example of this type are the WISEs as exposed previously. In this type of hybrid, to ensure the social impact, the enterprise needs to engage in extra training besides the vocational one. Indeed, in order to be employable, some of the beneficiaries of the program need to be supported regarding health care, housing, etc. The conclusion of Santos *et al.* is that hybrids that serve its clients and beneficiaries as being one group of people, via a product or service that has automatic positive externality, is most likely to pursue its social mission and to achieve financial sustainability.

In conclusion, although it is not an organizational feature per se, the type of mission embraced by the social entrepreneur will influence the extent to which the social enterprise will experience the tensions raised by the double objective.

3.2.2. *Integration or Differentiation of the social & commercial activities*

Among the organizational features that we believe increase or alleviate those tensions, we will start by the very core of the organizational structure which brings us back to the concept of activity integration or differentiation.

As we have seen already, when we exposed the different schools of thoughts in the field, social enterprises can either integrate or differentiate their social and commercial activities. Battilana & Lee (2014) describe activity integration as the situation where “commercial and social goals are advanced through a common set of activities versus separate set of activities”. Nevertheless, as previously exposed in the chapter on hybridity, activity integration is not a binary concept, and we will rather refer to “levels” of activity integration as it is the case in several articles on hybridity (Battilana & Lee, 2014; Ebrahim *et al.*, 2014).

Scholars disagree as to whether high levels of activity integration alleviate or exacerbate the natural tensions of the double objective. According to Battilana & Lee (2014), a high level of activity integration limits the “competing resource demands” and the “service paradox”. The “service paradox” is described by Jay (2013) as a situation where serving one consistency results in neglecting the other(s) in some degree. To draw on the examples previously exposed, Ramus & Vaccaro (2014) focused their research on two WISEs that precisely experienced mission drift because of a service paradox issue where customer demand ended up being prioritized at the expense of the “marginalized workers’ well-being”.

Also, according to Nielsen (1986), a high level of integration is strategic because it allows to decrease operating costs. Nielsen uses the example of the Boston Symphony Orchestra (BSO), a non-profit organization that managed to reach its double objective (spreading classical music around & being a self-sufficient company) by adopting a shared costs strategy. They did so by creating the Boston Pops (BP), a company that subsidized the orchestra’s activities by organizing dinner concerts of popular music. This strategy allowed to generate extra revenue while some substantial costs were shared with the BSO (labour costs, location costs, etc.). This “self-subsidizing strategy” allowed the BSO to serve its “classical music mission” while securing its income.

Tensions faced by differentiated social enterprises - In social enterprises with a very low level of activity integration - that we will call ‘differentiated’ social enterprises- tensions can arise due

to a “service paradox” issue and a lack of a clear and unified vision (Battilana *et al.*, 2012), but not only. According to Battilana & Lee (2014), integrated social enterprises allows for “the simultaneous appearance of compliance to multiple audiences that evaluate different qualities of the organization’s activities” which is therefore not the case for more differentiated structures; they had that activity integration usually confer more legitimacy to the organization as a “member of multiple forms” (Battilana & Lee, 2014). According to Ebrahim *et al.* (2014) differentiated social enterprises face the risk of having their commercial branch losing sight of the social mission and seeks to retain more profit than needed for its own activities - which is linked with the dilemma of resources allocation as exposed earlier (cf. paragraph 3.1.2). Another risk for the differentiated social enterprise is to run inconsistent sets of activities. For example, a differentiated social enterprise aiming at improving the lives of children in East Africa could generate the income necessary to its social activities via a commercial branch retailing products manufactured thanks to child employment in South-East Asia. In an interview earlier this year, Pope Francis shared his concerns about a capitalism that keeps on creating damages on one side and curing them on the other; he concluded by saying that, one day, we will witness bombs manufacturers sponsoring hospitals (Senèze, 2017). For those reasons, in a world of excessive globalisation and unbridled capitalism, differentiated social businesses must carefully choose how they will subsidize their social activities. Arguably, if the sole purpose of their commercial branch is to maximize profit at whatever price, the social mission will be soon affected, directly or indirectly, as the situation might create too much incoherence and threaten the very existence of the organization. As Haigh & Hoffman (2012) illustrate well: “Once an organization publicly states a mission that includes social and/or environmental goals, consumers will rebel if they feel the company is not living up to that mission”.

Tensions faced by integrated social enterprises - In social enterprises with a very high level of activity integration - that we will call ‘integrated’ - tensions due to the double objective are still present, only different in nature. When the social activities are almost perfectly integrated with the commercial ones, it can happen that a “good financial performance masks a poor social performance” (Ebrahim *et al.*, 2014). According to Ebrahim and his colleagues, integrated kinds of hybrids can create a situation of cannibalism where the economic objective overtakes the social mission. This is one of the main risks faced by the microfinance banks for example, according to the literature on the subject. What is more, building on the findings of Ebrahim and his colleagues, we argue that integrated hybrids are more exposed to what Smith & Lewis (2011) call the “paradoxes of performing” as described previously (“performing tensions” in paragraph 3.1.1.). Indeed, when the social and the economic goals are advanced through one set of activities, it is

more complex to interpret the results - which illustrates the statement of Ebrahim *et al.* (2014) that financial success can hide a poor social impact and the other way around. As a matter of fact, the success of one objective will sometimes mean the failure of the other ones (Tracey *et al.*, 2011; Jay, 2013). Finally, Battilana *et al.* (2012) point out that integrated social enterprises can struggle to access legal recognition and resources (financial, human resources, etc.), as they appear to investors and other organizations as neither a charity or a commercial firm.

In reality, scholars have not yet determined if differentiating or integrating the two sets of activities results in more or less tensions for the social venture. Cornforth (2014) cites the two structures as being legitimate strategies to mitigate the risks of mission drift in practice. Nevertheless, the research of Battilana & Lee (2014) suggests that if a social enterprise compartmentalizes its activities, would it be temporally or structurally, the leaders of the ventures need to remain hybrids themselves, as to be able to navigate between the different identities, logics and forms and to have the skills to quickly re-integrate the two parts if needed. Battilana & Lee (2014) cite Smith & Tushman (2005) who argue that those social entrepreneurs must “recognize paradoxes created by distinct, competing strategic imperatives, then deliberately seek synergy between them”. In conclusion, the organizational structure of social enterprise is a critical aspect to take into account when dealing with those organizations. Battilana & Lee (2014, p.415) even suggest that the level of activity integration might influence several other organizational & environmental features, and call for further research on the subject.

3.2.3. Hiring & Socialization practices

Social enterprises also face important choices when it comes to the composition of their workforce. To use the terms of Battilana & Lee (2014), “The effects of organizational hybridity are also filtered by the assemblage of individual actors within the organization.” As previously stated when exposing the compatibility of logics (see paragraph 1.4.3.), who to hire and how to socialize very different profiles of employees is a crucial choice for any type of venture - and maybe even more for a social business. Across the literature we see that there are three ways to manage the double objective in the hiring & socialisation processes. Employees can be (1) hired as hybrid individuals, (2) trained as hybrid individuals, or the enterprise can also work at (3) socializing two groups of people: those working towards the financial goal of the firm, and those working on socially responsible initiatives. Van Maanen & Schein (1979) - cited by Battilana & Dorado (2010) - define socialization as the policies that “teach and reinforce desired behaviors and values in hires”.

Battilana & Lee (2014) stress the fact that it is actually difficult to “populate” the social enterprise with perfectly “hybrid individuals”. Instead, they argue that the organization must find strategies that “allow individuals from one sector or the other to work together effectively” (Battilana & Lee, 2014). In their study on two Bolivian MFIs, Battilana & Dorado (2010) talk about two of those strategies that they respectively call the integration strategy and the apprenticeship strategy.

The integration strategy - (also called “mix and match” or “end-focused” approach). This strategy that had been adopted by one of the MFIs, BancoSol, consists in hiring “carriers of different logics” and filling the gaps afterwards by socializing the recruited into a coherent group “committed to the same superordinate goal”. In a microfinance context, the idea is to convert “social workers into bankers and bankers into social workers”. During the hiring process, the emphasis is largely put on the “capabilities” of the potential recruit who are first and foremost chosen for their skills.

The apprenticeship strategy - (also called “tabula rasa” or “ends-focused” approach) was the approach used by Los Andes, the second MFI studied by Battilana & Dorado. This strategy prioritizes hiring of young postgraduates with no work experience and to train them as hybrid individuals, in this case microfinance bankers. The emphasis is therefore put on the “socializability” of the candidates, and less importance is given to their skills or area of expertise. According to the authors this approach might help the organization to “reduce the influence of its institutional environment” and allow the socialization more freedom to “influence the process of identity building”.

The authors report that the apprenticeship strategy adopted by Los Andes proved to be the most successful at retaining the two competing logics as it facilitates “the building of a common organizational identity” (Battilana & Dorado, 2010). They also report that BancoSol abandoned the integration strategy later on to adopt the apprenticeship strategy as they were experiencing difficulties. The authors conclude that their findings are in favour of the apprenticeship strategy as the integration strategy is more likely to generate “paralyzing tensions between sub-groups who define themselves in opposition to each other” and “intractable identity conflicts”. We can also link this finding to the concept of ideographic and holographic hybrids that we have mentioned earlier (cf. paragraph 3.2.3.). Indeed, what the apprenticeship strategy aims to achieve is to create a holographic organization where the multiple identities are shared by the whole group, a situation that is believed to limit the internal conflicts, as previously exposed.

3.2.4. Task compartmentalization

However, who to hire and which type of profile is optimal for the organization is largely dictated by the way the activities are run. The main question is whether the different set of activities are conducted by the same workers or compartmentalized into different sub-units - depending on the expertise of each group: social and/or environmental and commercial.

This question does not necessarily need to be asked if there is a high level of activity integration (Battilana & Lee, 2014); however, when the activities are disintegrated and compartmentalized between different work units, managers might consider adopting this strategy, although they should take into account its possible consequences.

Indeed, although the compartmentalization of tasks can be strategic to deal with multiple stakeholders (Pratt & Foreman, 2000), this situation requires extra coordination for the top management (Battilana & Lee, 2014) which therefore can generate tensions. It is also worth noting that according to the authors, a temporal compartmentalization can also reduce internal tensions and be a mean by which social enterprises deal with competing demand and service paradox (Lavie *et al.*, 2010 cited by Battilana & Lee, 2014) which is also supported by the findings of Jay (2013).

3.2.5. Performance definition & measurement

“Social enterprises that combine social and commercial activities in their core face a distinct challenge because their definition of success includes both dimensions. These dual objectives are not necessarily aligned and are oftentimes contradictory, thereby often creating a risk to the mission” (Ebrahim *et al.*, 2014)

“Systems that measure performance on both business and social dimensions are thus important design factors of hybrid organizing in social enterprises, offering a means by which to align the incentives of organization members with an objective function that reflects multiple organizational goals. Future research will need to examine the influence of different performance measures and incentive systems on hybrids’ sustainability and performance both in the commercial and social realms” (Battilana & Lee, 2014)

Another organizational characteristic that can create tension within social enterprises is the way the organization chooses to define and measure success. As we understand from the article of Battilana & Lee (2014), measuring both the social and the commercial performance is believed to

be strategic as to align the employees to the multiple objectives of the organization.

Bagnoli & Megali (2011) stress out the importance of financial accounting for social enterprises whose management needs to be able to “predict the company’s future, representing in terms of quantity-monetary values”, just as any traditional business ; however, Nicholls (2009) also reminds that social reporting practices and social measurement in general, are key for future funding as they are a “message” sent to potential investors and other entities about the values carried by the organization.

Performance measurement in hybrids can be a source of tensions as it does not only mean managing very diverse types of metrics, it also usually means dealing with different time horizons and conciliating the long term of social impact with the short term of financial viability.

3.2.6. Reward & Incentive system

On their study on hybrid organizing, Battilana & Lee (2014) put emphasis on the way social entrepreneurs choose to reward and incentivize their employees as an important area of hybridity - and possible area of tension. They argue that social ventures might want to encourage “hybrid” behaviours - aligned with the double objective - through a system that links to a “weighting” between social and financial performance.

Some social ventures may only incentivize financial performance with financial bonus but others can set up a system that incentivizes a joint set of financial and social performance with financial and non-financial rewards. Social entrepreneurs can be very creative when it comes to recognizing the work of their employees. The Grameen bank for example set up a rating system that awards its branches different colored stars depending on their financial performance (100% repayment rates, the deposit/loans ratio, etc.) and their social impact (all children of borrowers attend school, borrowers crossed the poverty line - according to the criteria of the Grameen Bank¹, etc.). Those stars only allow for “bragging rights” which, according to a study conducted by the Columbia Business School, was sufficient to foster “friendly competition”

¹ “In order to qualify for this designation, each borrower needs to pass 10 tests that include having a roof over her head, sleeping in a bed, access to safe drinking water, access to warm clothing and having all children of school-going age in school” (Mainsah *et al.*, 2004 paraphrasing Yunus, 2004). Those criteria are stricter than the \$1 per day adjusted for PPP (Mainsah *et al.*, 2004).

among branches (Mainsah, Heuer, Kalra & Zhang, 2004) and therefore ensure that the bank kept growing.

3.2.7. Access to capital & Relationships with investors and funders

Another feature of social enterprises that can trigger or alleviate the tensions arising from the double objective can be found in the inter-organizational relationships, especially in its relationship with investors and funders. “The embedded social purpose of for-profit or hybrid forms of social enterprise limits social entrepreneurs from tapping into the same capital markets as commercial entrepreneurs” (Austin, Stevenson & Wei-Skillern, 2006).

The process of accessing capital can be difficult for hybrids as they are not traditional organizations and do not always have a legal format that is adapted their hybridity, which can mean they are often rejected by the traditional financial institutions.

First, one of the obstacles that social entrepreneurs encounter when looking for investment, according to Austin *et al.* (2006) is that they do not have access to as many channels than commercial firms when it comes to unrestricted sources of capital. According to them, they often have to “rely heavily upon a range of funding sources, including individual contributions, foundation grants, member dues, user fees, and government payments.” Besides that, relationships with those entities are not always easy, the authors add, as their representatives usually come with “a wide range of motivations and expectations.” (Austin *et al.*, 2006). What is more, social enterprises will usually have to keep relying on these sources as rare are the ones that will cover the costs of their operations without donors, argue the authors. Finally, social enterprises also face the challenge that investors in the field generally do not provide enough investment as to launch the enterprise, and their loan tends to be for a short period of time. This is why “social entrepreneurs are thus required to spend a significant portion of their time, on an ongoing basis, cobbling together numerous grants, many of which come with spending restrictions and varied expectations of accountability, just to meet day-to-day operating costs.” (Austin *et al.*, 2006)

Secondly, like other organizations from the social sector, social businesses might find themselves in a real competition for grants, or for donations, that can result in a lot of tensions for them. Aldashev & Verdier (2009) show how the “donation market” that was previously local and national, has grown into becoming global - so that for a given NGO, a rival NGO can be either global or local. Aldashev & Verdier (2009) also cite the work of Rose-Ackerman (1982) who

shows how competition for donations between charities can lead them to increase their spending on fund raising activities, which can have the contradictory effect of displeasing donors. Arguably, social enterprises that are looking to attract this kind of capital can also find themselves into such a competition, which will add additional tensions to the organization.

3.2.8. The legal form

“Until recently, organizations in most countries had two main legal structure options, each offering certain benefits. For-profits focus for the most part on shareholder value maximization and are permitted to distribute returns to investors. Nonprofits singularly pursue a charitable purpose, and in return, governments offer substantial tax benefits. Nonprofits also benefit from social legitimacy and goodwill that attracts grants, donations, volunteers, pro bono professionals, and other free or inexpensive resources.” (Battilana *et al.*, 2012).

The authors go on to say that - in such environment - individuals seeking to set up hybrid structures, with both the purpose of business prosperity and social impact often face a “difficult and confusing dilemma”. According to Ebrahim *et al.* (2014) most social enterprises end up adopting the for-profit or the not-for-profit form although none of them is ideal. They also condition the type of capital the social venture can ask for, in regards with the previous point, the study of Austin *et al.* (2006) showed that to access capital without all the constraints of the philanthropic capital, some social entrepreneurs adopt a for-profit organizational form “to increase their ability to access commercial capital markets.”

However, this is not an ideal situation, and Austin and his colleagues (2006) add that “even the corporate form does not remove all the constraints, as social entrepreneurs are then faced with the challenge of maintaining a focus on the social mission, while generating a competitive return for investors.”. Intuitively, we understand how social businesses with a for-profit status would more easily drift towards the commercial form of the organization, or how a social business with a non-profit status would struggle to reach financial independence. In the same idea, we understand that the legal form can trigger some tensions in very differentiated social enterprises with two branches that might have a different legal form: a non-profit branch and a for-profit branch. However, some enterprises are also able to “exploit the benefits of both legal structures” (Battilana *et al.*, 2012), a situation that inevitably creates complications at the management level, but that allows the enterprise to enlarge the horizons of its possibilities.

Fortunately, a few specific legal forms also exist in some countries, designed to meet the needs of social enterprises in terms of tax regime, access to funding, etc. which can therefore alleviate those tensions. (Battilana *et al.*, 2012).

3.2.9. Types of partnerships

Another source of tension can be traced back to the nature of the partnerships. Battilana & Lee (2014) cite Austin & Leonard (2008) who suggest that “close relationships with organizations embedded in more established sectors will likely influence social enterprises’ ability to achieve their social mission”, but they add that “the consequences of these relationships for social enterprises are not well understood” and suggest that more research is needed on those questions. Indeed, it could be that social enterprises that partner with more “similar” organizations are better able to retain their hybridity than social enterprises that only work with commercial firms or non-profits, as suggested by Battilana & Lee.

One potential consequence of wrong partnerships is the development of some kind of resource dependency. As previously mentioned, tensions and instability increase when the enterprise is more dependent towards one or several consistencies in its value chain like such as its business clients or suppliers. However, the sources of mission drift may also arise from “dependence on any dominant funder such as the state or foundations” (Jones, 2007). Cornforth (2014) warns against the dependence of state-owned organizations or charities that are mainly financed by the government.

Balancing between multiple demands and multiple partners is not an easy task for a social venture. In an article talking about the organizational values of the social enterprise, Aiken (2006) shares the concerns of several authors, and cites Rosenman (2000) who wonders how social enterprises can potentially retain their values, managing multiple demands and not morphing into “mini-state bureaucracies” or “quasi-commercial entities driven by a business logic”.

3.2.10. Positioning in the market

According to the study of Haigh & Hoffman (2012), hybrids are a unique type of enterprise in the marketplace as they usually create “a larger and more prominent presence in the market and industry than their size would suggest”. They “punch above their weight” and create niches that allow them to enjoy “increasing competitive benefits”. However, as previously mentioned, they often have to compete against other organizations for grants, which is often a fierce competition

to handle.

4. Introducing the Research Question: The links between the organizational & environmental features and the areas of tensions associated with the risk of mission drift.

This is based on those concepts elaborated in the theory available on the subject that we developed the following research question.

In which ways do the organizational and environmental features of a social enterprise influence (trigger or alleviate) the areas of tensions associated with the risk of mission drift?

This question has been inspired by the study of Battilana & Lee (2014) that was the catalyst for a large part of our reflexion. In this article, the authors suggest that there is a need for investigation on the “micro-processes” of mission drift and the role of the level of activity integration in increasing the tensions and creating the conditions for mission drift.

“Further research also should examine the conditions under which social enterprises that combine business and charity at their core avoid mission drift, thereby maintaining their hybridity. What are the micro-processes by which mission drift occurs and what does the level of activity integration [one of the organizational features of the social enterprise] play in those processes?” (Battilana & Lee, 2014, p.415).

The research that we will present in the next sections does not focus on the processes, but rather on the sources of mission drift themselves that we believe are the organizational & environmental features that we have exposed above. In the same way, we will not limit our study to the level of activity integration, but we will add other elements to our analysis. To do so, we departed from the article of Battilana & Lee (2014) that suggests five key areas in the internal organizing of social enterprises where hybridity - viewed here as a hybridity of organizational forms - is manifest in social enterprises. Those aspects are the following: the (1) core organizational activities (that raises the question of the level of activity integration), the (2) workforce composition, the (3) organizational design, the (4) inter-organizational relationships, and the (5) organizational culture (Battilana & Lee, 2014, p.17).

III. METHODOLOGY

As we have seen in the literature, social entrepreneurship, mission drift and the management of hybrid organizations are topics that have definitely received a growing attention from scholars in the last decades (Bacq & Janssen, 2011). Nevertheless, given the relative novelty of this field in the academic world, more research is required. This is the reason why the practical part of this thesis is approached using both a deductive method - testing the theory, and assessing whether the tensions listed in the literature review are found in the cases selected - and an inductive method, listing new types or sub-types of tensions emerging from the data but not directly listed in the literature.

To conduct this thesis, we opted for a qualitative research on nine social enterprises and mainly followed the method suggested by Miles & Huberman in their sourcebook on qualitative data analysis (1994). The data were gathered through open-ended interviews with (co-)founders of these companies, from whom seven were still at the head of the enterprise, and two were members of the board - as well through the documentations and corporate documents that we could access.

The cases were mainly selected in the network of the *Skoll Centre for Social Entrepreneurship* and of the *Acumen fund*, that gave us access to very inspiring social enterprises, from different sectors and geographies. Those connections were made possible via an internship at the *Mutuality in Business Lab* from the Said Business School (Oxford) in Spring 2017.

1. Design of the research study

1.1. Conceptual framework

Following the work of Miles & Huberman (1994), we started by designing a conceptual framework - in a narrative form - explaining the aim of the present study and our main research objectives that will then lead to our main research question, as exposed in the previous section.

Our first research objective was to define and describe the natural tensions caused by the management of the double objective in social enterprises and that could create the conditions for a mission drift. The second objective that came in supplement, was to examine which organizational features and environment seemed to increase or alleviate those tensions. To do so, we started to review the literature, and we chose to depart from the article of Battilana & Lee (2014) that suggests five key areas in the internal organizing of social enterprises where hybridity

is manifest in social enterprises. Those aspects are “critical building blocks of organizations” according to the authors. Those two objectives constitute the research question that we have introduced in the previous section which is: ***In which ways do the organizational and environmental features of a social enterprise influence (trigger or alleviate) the areas of tensions associated with the risk of mission drift?*** From there, we started to make links between the tensions and related organizational and environmental features of social enterprises. We also added intuitive links between those elements which is supported by the definition of a conceptual framework by Miles & Huberman (1994) that can be “rudimentary or elaborate, theory-driven or commonsensical, descriptive or causal.” (Miles & Huberman, 1994; p.18).

As briefly mentioned above, this research question was inspired by a call for research from Battilana & Lee (2014) on the micro-processes of mission drift in social enterprises and the role of the level of activity integration in those processes. Although we acknowledge the relevance of this question, we quickly realised that the concept of activity integration was a difficult feature to assess case-by-case and with the data that we collected (interviews and corporate documents). Observation in each enterprise would have been necessary to really assess of this feature. What is more, the enterprises we studied all presented high or very high levels of integration - a priori. This is why we included the level of activity integration as an organizational feature to study and to take into account, but we added more organizational and environmental features into the cause map. Those features were usually easier to study for us, and give a broader picture of the causes of tensions in the social enterprises.

Our ambition therefore shifted from focusing on the particular feature of activity integration, to suggesting an organigram, or what Miles & Huberman would call a “causal network” (cf. Figure 2) highlighting the areas of tensions and showing their relationship with a series of organizational and environmental features, including the level of activity integration. This is where we observed that some of those features could actually be linked to the the later, as it was suggested by Battilana & Lee (2014). A “causal network” is defined by Miles & Huberman as an “abstracted, inferential picture organizing field study data in a coherent way.” (1994, p.153).

1.2. Definition of the case

A case can be defined as “a phenomenon of some sort occurring in a bounded context” (Miles & Huberman, 1994). Miles & Huberman call it the the unit of analysis.

The phenomenon we aim to study is the tensions that are linked to the risks of mission drift, or the tensions due to the management of a double objective; the bounded context is the social enterprise and one of its founders and/or CEO. However, as previously exposed, many authors have given their own definition of social entrepreneurship and several schools of thought exist today. This is why, before selecting the cases, we came up with inclusion and exclusion criteria consistent with the literature but serving the purpose of this project.

Inclusion criteria	Exclusion criteria
- Organizations that show a clearly and steady hybrid functioning - with commercial and social/environmental parts at the core of its DNA - Central and clearly stated social and/or environmental mission aimed at addressing a pressing social/environmental problem through a market mechanism - Organizations that rely mostly on the market to be financially sustainable² - Maturity: at least 3 years old³	- Organizations that embrace hybrid functioning as a temporary strategy or where the different parts are not all essential to its essence. - Peripheral and vague social/environmental mission that is not aimed at addressing a pressing need in society - Organization that mostly rely on donations and state subsidies to run - Less than 3 years old - Organizations unwilling to share details of model

1.3. Sampling

“The sampling involves the unit to study, settings, actors, events, process”. Following the method suggested by Miles & Huberman, each case was selected purposefully, first for corresponding to

² This condition was successfully met by the enterprises that we selected, and the smallest percentage of market-generated income was 60%.

³ This criterion was respected for all the enterprises, excepted in the case of the young enterprise “My Dream Home” (Cambodia) that was founded in 2015. However, this small organization had still been identified by the *Skoll Centre for Social Entrepreneurship* as a relevant and thriving social business which is the reason why we have selected it, along with its localization and industry that allowed us to diversify our sample.

the definition of social entrepreneurship that we adopted, and secondly for their diversity of localizations and sectors (cf. Figure 1: List of cases).

Although we tried to select cases as different as possible, we ended up with a sample where the majority of the organizations were (highly) integrated enterprises, with very limited non-commercially related activities.

We also tried to select enterprises which we had no connexion with, to preserve the objectivity of the analysis. One exception was the interview we have conducted with the chair of trustees of One-Eighty (based in the U.K.) who also happened to be our internship supervisor during the time that we spent at the *Mutuality in Business lab* in Oxford. The interviewee fundamentally knew the object of the thesis and had been working in research on social business related topics for the last few years, which could have also biased our data on this particular organization which nonetheless remains an interesting case to study.

Lastly, we have not chosen to limit our sample to a specific social entrepreneurship legal form as those are still new and geographically limited. The cases we selected had legal forms ranging from charities to for-profit.

Organization	Founded in	Connexion	Product/service	Localization	Legal form	Interviewee & Function	Interview(s) Date	Means of Interview(s)
1. Voto Mobile https://www.votomobile.org/	2012	<i>Skoll Centre for Social Entrepreneurship</i>	Survey platform and statistical tools for NGOs and institutions of all sizes	Africa & Asia	For profit	Louis Dorval - co-founder & business development manager	20.03.2017 F - 25.04.2017	Phone call Phone call
2. Home Safe http://www.homesafeindia.com/	2009	<i>Skoll Centre for Social Entrepreneurship</i>	Chauffeur service with a focus on customers impaired by alcohol	Delhi-NCR region (India)	For profit	Nikhil Saigal - co-founder & CEO	24.03.2017 F - 25.04.2017	Phone call Skype
3. LivelyHoods https://www.livelyhoods.org/	2009	<i>Skoll Centre for Social Entrepreneurship</i>	Youth employment in slums through “life-changing products” business	Kenya	Non-profit 501(c)3 - U.S. registered	Maria Springer - co-founder & board member	26.03.2017 F - 31.03.2017	Skype Phone call
4. My Dream Home http://ourdreamhomes.biz/	2015	<i>Skoll Centre for Social Entrepreneurship</i>	Affordable, easy-to-construct and eco-friendly houses	Cambodia	For profit	Kongngy Hav - founder & director	30.03.2017	Skype
5. s.e.e.d. http://www.seedcr.com/	2009	<i>Skoll Centre for Social Entrepreneurship</i>	Legal advice to organizations in the social sector	Costa Rica	For profit limited liability company	José Miguel Alfaro - co-founder & partner	06.04.2017	In person
6. Jibu http://jibuco.com/corporate-home/	2012	<i>Skoll Centre for Social Entrepreneurship</i>	Safe and affordable drinking water	Kenya, Rwanda, Uganda	Low-profit limited liability company -L3C	Galen Welsh - co-founder & CEO	19.04.2017 27.04.2017	Skype Skype
7. ICH Optic group http://grupoich.weebly.com/	2013	<i>Skoll Centre for Social Entrepreneurship</i>	Affordable eye glasses made of recycled plastic	Mexico	For profit limited liability company	Roberto Alvarado - founder & CEO	24.04.2017	Skype
8. KadAfrica http://www.kad africa.org/	2012	<i>Acumen fund</i>	Economic opportunities for teenage girls through passion fruit planting	Uganda	For profit limited liability company	Rebecca Kaduru - co-founder & managing director	15.05.2017	Phone call
9. One-Eighty http://one-eighty.org.uk/	2011	Personal connexion	Behaviour support service in primary and secondary schools	United Kingdom	Charity (registered in England & Wales)	Alastair Colin-Jones - co-founder & chair of trustees	22.06.2017	Skype

Figure 1 : List of cases

1.4. Instrumentation

For the purpose of this research, we used open ended interviews that were entirely transcribed afterwards along with corporate documents that we could access including reports, business plans, list of KPIs, etc. We could consult those documents for only four enterprises out of the nine that we studied, as some entrepreneurs wanted to keep those documents confidential, or reported that their enterprise was too small or too “unorganized” to have formalized documents.

Previous to the interviews, we intended not to uncover too much our subject and informed the interviewees that the purpose of our call/meeting was to discuss the implication for their enterprise of the management of a double objective. We intended not to use too specific vocabulary although most of them were familiar with the terms used in the field of social entrepreneurship through their connexion with the *Acumen fund* or the *Skoll centre for Social Entrepreneurship*.

2. Data Management

2.1. Data collection

During the interviews, we took note of the different questions that were answered and did not follow a certain order, but rather segued into relevant questions of the list to give the impression of a conversation rather than an interrogation. All the interviews were conducted in English except one in Spanish with Roberto Alvarado from ICH optic group.

After a first round of five interviews (cf. Annex 1: Interview Guide - first round), we started to identify possible gaps in the literature, and we slightly adjusted our angle and our interview guide in order to conduct a second round that would be more relevant for our study. For example, we spent more time asking questions on the “income and expenditure” tensions, including aspects such as the determination of the ideal price point, when relevant, etc.; we also progressively stopped to ask follow-up questions on the board composition, as most of the entrepreneurs only reported to have an executive boards or informal advisers. This first round also helped us to cluster and adjust the categories of tensions and areas of tensions that we had previously listed based on our intuition and on the literature. We then had the opportunity to conduct a follow-up interview with three of those entrepreneurs using a new interview guide (cf. Annex 2: Interview Guide - second round). The remaining interviews were conducted using this new approach as well.

The main interview lasted from 45 minutes to 1h15 and the follow-up interviews from 30 to 45 minutes.

2.2. Data analysis

Following the advice of Miles & Huberman (1994, p.50), we started to analyse the data early on to adjust some of the questions if necessary and to allow the development of our reflection. According to the authors, this strategy should help to “cycle back and forth between thinking about the existing data and generating strategies for collecting new, often better, data”. After each interview, we produced a write-up, and proceeded in two stages. (1) Right after hanging back, we took about 30 minutes to answer the question “What were the main concepts, themes, issues and questions that we saw during this contact?” (Miles & Huberman, 1994). This allowed to immediately identify the different categories that were emerging which were the base for our study and the creation of the causal network. This first reflection also allowed us to identify possible links or gaps in the theory, necessary follow-up questions, etc. (2) In a second stage, the same day or a few days later, we transcribed the recording and produced a write-up, a document that Miles & Huberman (1994) describe as an “intelligible product for anyone (...) that can be read, edited for accuracy, commented on, coded and analysed”. On this write-up, we allocated the data into the appropriate categories using the “code theming” approach, which then allowed us to identify more gaps or links in the theory. At this stage, we would often go back to the literature to confirm the gaps and the links identified, and to clarify some concepts. We would then conduct further research on the enterprise, using their website, but also LinkedIn for specific information on the employee’s profiles, for example. Afterwards, we would write an email to the interviewee, thanking him/her for his/her time and insights, and asking a few follow-up questions. This is usually at this stage that we obtained some documents on the enterprise (list of KPIs, reports, business plan, etc.).

At the end of each write-up, we also included notes about how this contact and this social enterprise answered the research question, and if new “hunches about the fields situation” arose during the interview - as Miles & Huberman suggest it. Each interview and its subsequent analysis allowed us to better understand our topic and to determine which points/questions would require more attention in the future as to gather the most relevant data possible.

As argued by Miles & Huberman, we experienced that qualitative analysis is a “powerful tool for assessing causality” and that “‘stories’ are not capricious, but include underlying variables, and

that variables are not disembodied, but have connections over time” (Miles & Huberman, 1994, p.147). Our interviews, although limited in number, really allowed us to draw those connexions between the areas of tensions and the organizational and environmental features of the organizations that we studied.

An important step in the (early) analysis of the data came after the first round of interviews where we decided to narrow some of the questions and to stop asking some others. On one hand, we started to investigate more on the “income & expenditure” tensions and the organizational and environmental features that are related to it. On the other hand, we stopped asking follow-up questions on the board, as almost none of our cases presented a formal board, other than informal advisors and an executive board, which was not interesting for our research as we wanted to assess if the presence of hybrid individuals in the board would trigger or alleviate some of the tensions created by the double objective. Nevertheless, very interesting things emerged from the interview with a member of LivelyHoods, a social enterprise governed by an external board.

The outcome of our research methods also lead us to draw a chart of the different areas of tensions and the related organizational & environmental feature (cf. Figure 2), that is one of the main output of this thesis. This chart was first designed as a mind map, that allowed us to think more freely about the different links and to regroup our findings from the data collected and the theory. In a second step, this mind map was transformed into an organigram that allows the reader to understand the links more easily.

IV. FINDINGS

The findings of these interviews, combined with secondary data, allow us to better comprehend the object of our study and the literature available on this topic. Moreover, such primary data also facilitates a change in our focus from the tensions themselves, to the areas in which they are being expressed, offering more clarity to the reader.

These areas of tension can be defined as the zones within social enterprises where the social goal and the commercial goal intersect the most. Although these areas of tensions are intrinsically linked to the nature of social entrepreneurship, hence the risk of mission drift, we came to realize that not all social businesses experienced tension in each area, or with the same level of intensity. As a matter of fact, we propose that certain features of the organization and its environment might explain why such tensions are triggered or alleviated, thus making the social enterprise in question more or less prone to ‘goal displacement’.

Evidence from both the literature and the primary data has allowed us to define three main areas of tensions and thirteen organizational and environmental features that can be linked - directly or indirectly - to those areas. This thesis also aims to challenge or support various concepts around mission drift apparent in the literature, which will be revealed in the next section, providing the basis for our findings.

1. Foundations

1.1. Mission drift - a symmetric concept

Firstly, we aim to challenge the idea that goal displacement or mission drift only concerns the social side of the organization as suggested in certain literature in the social entrepreneurship field. (Jeter, 2007; Cornforth, 2014, etc.). Indeed, we propound that mission drift in a social entrepreneurship context is best understood as a concept belonging to the field of organizational theory and more specifically hybrid organizing which supposes that both aspects of the hybrid nature are vital to the venture – one of our most significant findings. In this vein, we support Battilana & Lee (2014), and the authors they cite, in their conviction that “both the business and charity forms are essential [to social enterprises], and thus neither can be dismissed without a fundamental change to the model” and that “consequently, their sustainability as hybrids depends both on the advancement of their social mission and on their commercial performance”. Using this approach, the mission of a social enterprise is not only about social impact but also

sustainability, which lead us to define mission drift as the inability of a social enterprise to achieve its social goal or its commercial goal, sometimes described as the inability of a hybrid organization to ‘retain its hybridity’ (Battilana & Dorado, 2010; Battilana & Lee, 2014; Ebrahim *et al.*, 2014; etc.).

The importance of the two aspects of the social enterprise was vividly emphasized in several of our interviews, as well as apparent in the literature. “*Profit and lasting impact are interdependent in our model*” (website, Jibu). Social enterprises are not charities that accidentally included a commercial aspect to their activities, but purposeful businesses “created and designed to address a social problem”, to borrow the definition of Muhammad Yunus (2009/2011).

1.2. Mission drift - a spectrum rather than a binary concept

Secondly, after analysing the data, we came to support the definition of Jeter (2017) and Cornforth (2014) who describe mission drift, not as a binary concept, but as a process or ‘spectrum’. Not only is the risk of mission drift inherent to social enterprises as we have seen in the literature, it also seems like an inevitable - temporary or definitive - state which is why we argue that it is a spectrum rather than a binary concept. This finding comes to support a few definitions of mission drift, such as Jeter’s description of “rerouting of time, energy, and money away from an organization’s values, benefits, and beneficiaries (i.e., its social mission)” (Jeter, 2017) - In the context of a social enterprise, she cites the article of Cornforth (2014) and adds that “this usually means that business concerns take on increased emphasis as opposed to an organization’s social mission, diverting attention, resources, and focus away from the social mission”. Although we aim to challenge this asymmetric view of mission drift, which only considers the loss of the social mission, we see in Jeter’s definition that it is not a black-and-white concept – something clearly revealed in the primary data we collected. Through analysing the interviews, we observed that mission drift is not a binary concept, nor is it always unresolvable, but that it is rather a spectrum. Decisions that entrepreneurs make can be placed on this spectrum where the perfect balance between the commercial and the social goal does not exist, and where each end represents one type of unresolvable mission drift: the enterprise sacrificing its social mission or its financial viability.

The key idea here is that mission drift is a cumulative process of various management decisions that have the net effect of upsetting the balance of hybridity. The underlying assumption that we use here is that even the most balanced decisions are slightly more socially or commercially-

oriented and it is the sum of those decisions that over time can create a situation of temporary or unresolvable mission drift.

“There is no such thing as a hybrid - ultimately, you are always choosing” (founder & board Member, LivelyHoods – a social enterprise employing youth in Kenyan slums). Almost all the social entrepreneurs interviewed shared that the tensions from the double objective lead to daily struggles, and arise in daily decisions and not only in those concerning the long term of the enterprise. We will expose here below how those tensions express themselves.

Therefore, based on this definition of mission drift understood as a loss of balance between social impact and sustainability, and as a spectrum rather than a binary concept, the following research question has been investigated: ***In which ways do the organizational and environmental features of a social enterprise influence (trigger or alleviate) the areas of tensions associated with the risk of mission drift?***

2. The management of the double objective in social enterprises

2.1. When the social mission is at risk

To begin with, most social entrepreneurs that we interviewed admitted that their social mission was under constant threat. Across the interviews, it was apparent that the entrepreneurs face very regular opportunities to make their company more financially viable at the expense of their social impact. Those opportunities usually came in the following forms: suggestions from potential investors (Home Safe), business opportunities (LivelyHoods, ICH, Voto Mobile), or informal advice from people, family and friends (KadAfrica) whose opinion can sometimes be decisive in the early days of the enterprise.

Potential investors. The founders of Home Safe were encouraged by potential investors to turn their organization - a chauffeur service with a focus on driving safe back home people impaired by alcohol in the New Delhi area - into a taxi company. *“Some of them [potential investors] wanted to buy cars and make it a taxi company, as it is so much more profitable. But this is not what we wanted.”* (co-founder & CEO, Home Safe). Access to capital is difficult for social enterprises yet traditional investors usually require the venture to be fully commercial, hence creating a tension towards the commercial form at the expense of the social aspect of the company. This is what Jose Miguel Alfaro shared with us from his experience as co-founder and partner at s.e.e.d., a thriving law firm based in Costa Rica whose aim is to provide legal advice to social

enterprises and NGOs. *“It’s tougher to grow being a hybrid model. Finding investors aligned to your vision is hard. Since you are usually not a hugely profitable model, you have to find investors that believe in your social impact.”* (co-founder & partner, s.e.e.d.).

Business opportunities. Across the interviews, this was probably the first thing entrepreneurs mentioned about their social mission being under threat. ICH optic group is a thriving social enterprise providing optical glasses made from recycled plastic for people who cannot afford it in Mexico. Talking about the tensions due to their double objective, Roberto Alvarado, founder of ICH, explained that he had often been faced with commercial ventures that wanted work with them or buy the organization out of interest for in product in itself - an eco-friendly pair of glasses - or for the under-tapped market that it represents, at the base of the pyramid

“Many people try in many occasions, and in many countries to take advantage of them [people at the BoP], but not us. And neither will we create a way for it to happen. Definitively not. Some of our clients have tried to persuade us but we refused their offer. This is not something that we negotiate” (own translation⁴, founder & CEO, ICH optic group).

“We have been facing many propositions - the biggest ophthalmic company in the world - which is Mexican - was ready to pay millions of dollars to buy our project. They were very interested - not because of the social impact - but because of the fact that our product is ecological and that this a real sales booster in the market nowadays. However, they would not keep the social aspect of it. I decided to decline their offer.” (own translation⁵, founder & CEO, ICH optic group).

The co-founder of LivelyHoods shared a similar experience in the early days – at a time when the enterprise was facing financial difficulties, a lottery company in Nairobi approached them and

⁴ *“Mucha gente trata en muchas ocasiones y en muchos países de aprovecharse de estas personas - nosotros no. Y tampoco lo vamos a hacer una herramienta para que ellos lo hagan. Definitivamente no. Unos clientes lo han intentado pero los dijimos que no. No lo negociamos.”*

⁵ *“Hemos recibido muchas propuestas - me han ofrecido millones de dólares por nuestro proyecto. La óptica la mas grande del mundo - que es una óptica mexicana - nos ofreció muchísimo dinero para compra nuestro proyecto. A ellos los interesa - no por la cuestión social - sino porque cuando sacas al mercado un producto que es ecológico que eso esta de moda - es un booster de ventas - pero se pierden de la parte social. Decidí rechazar su oferta”*.

offered very large grants and even salaries if they would employ the youth to sell lottery tickets in the slums where they were living.

“Lottery is legal in Kenya, but we had a real ethical dilemma and we decided to decline their offer” (co-founder & board member, LivelyHoods).

Louis Dorval, co-founder of Voto Mobile - a social enterprise specialized in IT providing NGOs and other organizations with survey platforms and other means of communication - and Nikhil Saigal, co-founder of Home Safe also recognized that partners who do not have the same values and intentions can put at risk the whole social purpose of the venture.

“There were definitively cases of partners that we didn’t agree with - like alcohol brands, who just wanted to work with us for their own promotion.” (co-founder & CEO, Home Safe).

It is also interesting to note that for their part, Voto Mobile mainly work with clients from the aid industry, but that does not seem to keep them away from this kind of concerns.

“Not all of them [the organizations within the aid industry] are good in terms of impact, sustainability, accountability, etc. [...]. We assumed until now that every time we’re working with the aid industry we’re doing good - and we should be critical of that. Because this is a big assumption. In the early days it was kind of ok, but nowadays we could choose to become a lot more selective [with out clients]. It would hurt our growth but we would still exist. There is a real choice that we need to make”. (co-founder & business development manager, Voto Mobile).

People, family & friends. Finally, Rebecca Kaduru, co-founder and managing director of KadAfrica - a social enterprise based in Uganda that aims to provide young girls with economic opportunities through passion fruit planting - shared how in the early days, as they were looking for seed funding, people would advise them to re-adjust their vision and business model in order to attract investors.

“People kept saying ‘Oh you could make more money if you try it this way, or it would be easier for you to do it this way, if you only focus on growth [...] you could raise grant

capital, etc. ’’ (co-founder & managing director, KadAfrica).

We can observe here how social entrepreneurs have the choice to maximize their profit and run simpler, more traditional organizations (commercial firms or charities/NGOs), or to be faithful to their initial dream and remain a hybrid organization.

2.2. When the financial viability is at risk

Although much less documented in the literature, and less apparent in our own data, we believe that there are some aspects of the social enterprise that make it vulnerable to financial struggles in a specific way. Certainly, all ventures face financial risk, yet the social businesses encounter difficulties that are directly caused by the hybridity of its objectives.

First, in order to remain hybrid, a social enterprise needs to refuse the offers that were outlined above, which in itself can cause financial difficulties. Second, the social cause embraced by the entrepreneur can sometimes draw him or her towards the limit of the financial and commercial viability. Jose Miguel Alfaro, the founder of s.e.e.d. explained this well when he said:

“By definition, with hybrid business, you are always scarce of resources. In hybrid business you are supposed to push that scarcity to the limit because the idea is to deploy as much as you can from your income-generating activities into - let’s say - the part of business that is not able to produce any income” (co-founder & partner, s.e.e.d.).

Nikhil, Home Safe’s co-founder shared the same concerns about the tensions between making an impact and being sustainable.

“If I take a 100 drivers and I put them in a place where there are 25 night clubs, I know all 100 of them will be needed by someone there and if they don’t cost anything, everyone would use the service to go back home and the impact would be tremendously large on saving people’s lives [...]. There was always that struggle to decide ‘ok, do we send the drivers because we know that people will need them - or do we try to make some money out of it as well - or at least recover our money?’” (co-founder & CEO, Home Safe).

3. The areas of tensions - where the two objectives confront each other

As we have seen through the literature, there are many tensions that are inherent to social enterprises and hybrids in general. Across the interviews, we managed to cluster those tensions into “areas of tensions” that address (a) the income and expenditure management, that - we believe - is influenced by three sub-tensions that may arise depending on the context and the organizational characteristics of the social venture: (i) some kind of resource dependency, (ii) the price point definition, and possibly (iii) service paradox & resource allocation dilemmas. The second and third areas of tensions concern (b) the workforce, and (c) the definition of the performance for the enterprise.

3.1. Income & Expenditure

All enterprises, social or not, encounter difficulties when managing their inflows and outflows. However, what seems to emerge from our data is that social ventures - depending on their environment and characteristics - can face additional pressure in this direction. Using the interviews and the literature, we divided this category into three sub-areas of tensions that may or may not be triggered - depending on the organizational structure of the enterprise: (a) the price point, (b) the resource dependence pattern and (c) the resource allocation dilemmas.

But before elaborating the details, two elements that directly impact the income and expenditure tensions within a social enterprise are its (i) positioning in the market and its (ii) difficulties to access capital, as a hybrid organization.

Positioning in the market - Though this aspect is of course not specific to social enterprises, the data we collected confirmed the findings of Haigh & Hoffman (2012) who argue that hybrids are especially good at creating “niches” for themselves and enjoy “increasing competitive benefits”. This is what we have primarily observed in our cases – indeed the majority of the entrepreneurs that we have interviewed confessed that they face almost no competition or that they had not suffered from it so far. Roberto Alvarado, founder and CEO of ICH shared that his enterprise has not encountered serious competitors so far, and attributes it to their position at the base of the pyramid, in a market that has been historically neglected in Mexico.

“We have been a very blessed enterprise so far. We haven’t met serious obstacles! Because we do what the others don’t want to do [...] and we go to places where other enterprises

don't dare to go [i.e. slums and dangerous places in Mexico]" (own translation⁶, founder & CEO, ICH optic group).

Kongngy Hav, founder and CEO of My Dream Home - a Cambodian social enterprise providing affordable easy-to-construct and eco-friendly houses for local communities - attributes their lack of direct competitors to their value proposition as a social but also environmental enterprise and to their price position on the Cambodian market: *"Since our prices are affordable, we don't have direct competitors - just one, from the government. And we are also usually referred by NGOs in the country for our environmentally friendly bricks"* (founder & CEO, My Dream Home).

This feeling was also shared by Louis Dorval from Voto Mobile, that has established itself as a large player in the industry of mobile service and platforms *"We have no direct competitors"* (co-founder & business development manager, Voto Mobile).

Among the entrepreneurs, four shared that competition was present but not a real struggle for them. *"We compete with passion fruit farmers all over the country but because of our large network we are usually able to better position ourselves with buyers because of the amount and consistency of supply"* (co-founder & managing director, KadAfrica). Jose Miguel Alfaro from s.e.e.d. even seems to acknowledge certain benefits of competition. *"I mean, in any market, it's good to have competition. [thinking] So far it has been.... a positive one, but again, obviously, having competitors out there, you need to constantly innovate, etc."* (co-founder & partner, s.e.e.d.).

However, in some cases, although the competition is not fierce, it is definitely more complex than traditional competition, as it can quickly become a war on two fronts. LivelyHoods for example, has to compete against companies in both for-profit and non-profit sectors, which is also the case of s.e.e.d. who need to constantly differentiate themselves from the pro bono programs of commercial law firms, and law firms specialized in start-ups and venture capital. *"There are two types of competitors: firms with pro bono practices, & firms that are willing to develop an expertise in start-ups, venture capital, etc."* (co-founder & partner, s.e.e.d.). Nevertheless, in the

⁶ *"Hemos sido una empresa muy bendecida - no hemos encontrado trabas realmente - porque nosotros hacemos lo que los demás no quieren hacer. [...] vamos a lugares donde otras empresas no se atreven ir."*

case of LivelyHoods, their geographical location, within the slums themselves, allows them to beat the competition more easily.

“Our main competitors would be those selling in the city centre, although, interestingly enough, the slum communities typically don’t shop in the main city centres, at these large retail outlets, because they don’t feel like the products are affordable or designed for them. [...] so I think that while there are some traditional retailers that are selling the same products within a 15 minutes’ bus rides, in a lot of those communities, we are still the main salesforce within the community itself.” (co-founder & board member, LivelyHoods).

Access to capital - As we have seen throughout the literature, access to capital can prove challenging for social enterprises. Through the interviews, we found that the entrepreneurs who set up more service-based businesses tended to fund themselves and did not resort to external funding, at least at the beginning. In our database, this situation mostly concerns Home Safe and s.e.e.d. In Voto Mobile’s case, the venture benefitted from an initial investment from Engineers Without Borders Canada, where one of the co-founders had previously worked. However, this was not sufficient to start the enterprise, and the founders also had to invest a lot themselves. When asking about how the entrepreneurs gathered the necessary findings to set up their business, here are some of the answers that we received.

“No investors. We actually bootstrapped all the way [...] We first invested about £3,000 to begin with, between the two of us [between him and his co-founder] just to set up and do the legal registration, and to hire the initial drivers.” (co-founder & CEO, Home Safe).

“Bootstraps - all the way. We started the law firm on a table of about this size [a round little cafeteria table], that was it [...]. I started with one of my life time friend, Sebastian, and my dad who used to be a lawyer [...]; he was a great support during the initial years. He lent us part of his space at the law firm he had. [...] So, basically, friends & family but no external investors.” (co-founder & partner, s.e.e.d.).

Those who used external funding, at the beginning - or in subsequent stages of their companies, like Home Safe - did not turn to traditional financial institutions, yet encountered obstacles of a different nature: they had to face a real ‘competition for grants’ alongside other organizations in the social sector. Talking about one of their main non-profit competitors, LivelyHoods’s co-founder shared:

“They were not in Kenya when we started, but they are now, but even if they were not Kenya, even if they were just in East Africa, it would still be an issue because we apply for a lot of the same grant funding, and a lot of international grant funders look at a region, and not at a country or at a city.” (co-founder & board member, LivelyHoods).

The social enterprises that turned to impact investors also had to deal with the naissance of this sector and its ‘teething problems’. *“We had some difficulties to find seed capital. It took us 2 years.”* shared Rebecca Kaduru from KadAfrica. When asked if she thought that this was because of the nature of social entrepreneurship, she answered this.

“Exactly, I think that impact investors are new concept and I think that they really don’t know what they want, so it’s a challenging group of investors to work with, and a very specialized group. It would just take a long time to get the right group of people together.” (co-founder & managing director, KadAfrica).

This is a situation that LivelyHoods also encountered.

“When I would talk to investors or granters, the conversation was not so much about the fundamental questions that will decide whether we were going to stay in business or get out of business (e.g. ‘how much are you selling, what are your margins? How are you going to increase efficiency? etc.) [...]. A lot of the time, the conversation was about the program for the youth, the impact of the [clean] cooking stoves [that we are selling] and how we were monitoring and evaluating our impact. But if you give someone a job, it has a social impact- and I need a business that survives to create jobs.” (co-founder & board member, LivelyHoods).

We can observe here how competition and positioning in the market, along with the access to capital are some direct elements that affect the income & expenditures of social enterprises and reveal best their hybrid functioning that can prove challenging or beneficial. We will expose now three sub-areas of tensions that we believe are related with the tensions associated with the income & expenditures tension.

3.1.1. Determination of the ideal price point - influences in the process

In a social entrepreneurship context, the price point dilemma refers to the question of the right price to charge for a product/service in order to meet both objectives of social impact and financial sustainability.

According to our data, we believe that two features influence the price point dilemma: First, the target market of social mission, more specifically the nature of the beneficiaries of the social mission and if they happen - or not - to be the clients of the organization as it has been exposed in the literature review (Santos *et al.*, 2015). The second characteristic has to do with the environment of the enterprise and which which type of partners, suppliers, or business clients they deal with.

a. Target market of the social mission and the commercial goal

Some ventures are structured in such a way that their clients are also the beneficiaries of their social mission (Santos *et al.*, 2015). In this case, the process of determining the ideal price point for the product/service in question can prove challenging. On the one hand, a price that is too low will probably allow the organization to meet their social objective, but the business might not survive to it; on the other hand, charging a price that is too high might jeopardize the social mission if the intended beneficiaries - or part of them - cannot afford the product/service. Nikhil, Home Safe's director, summarized the situation as follows:

“For me it was that constant dilemma - how do we price our service? Do we price it to be affordable for everyone? Or do we price it to be sustainable? [...] If I take a 100 drivers and I put them in a place where there are 25 night clubs, I know all 100 of them will be needed there, and if they don't cost anything, everyone would use the service to go back home and the impact would be tremendously large on saving people's lives [...] but it wouldn't be sustainable.” (co-founder & CEO, Home Safe).

Nevertheless, as we have seen in the literature, many social enterprises do not work that way and rather use a business model built around two separate groups of people: the clients and the beneficiaries. Therefore, the business model heavily relies on a client segment that is “able” and “willing to pay” for the service or product of the “intended beneficiary” (Santos *et al.*, 2015). This is a classic model that is also found in the “buy one give one model” (Marquis & Park, 2014), a

strategy that has been adopted by product company as well as service company. Tom Shoes is a famous illustration of this model, financing donations of shoes in developing countries by selling the same shoes at a higher price to wealthy and responsible customers in developed countries.

Intuitively, we understand how this structure can lead to less dilemmas regarding the determination of the price point - although the sustainability challenge remains. Theoretically, social entrepreneurs who choose to use that model should be able to maximize the price they charge to their paying clients and maximize their impact on their beneficiaries and their communities, by providing them with the product/service for free or at a discount. This is what we have observed in companies like Voto Mobile, My Dream Home, ICH and s.e.e.d. who work with high-end or middle-end market segments which allows them to offer their product at the base of the pyramid - for free (s.e.e.d.), or at a much lower price (Voto Mobile, My Dream Home). One-Eighty, a behaviour support charity working with schools in the U.K. applies the same model to the public sector by charging secondary schools, as they usually have an allocated budget for this kind of service, in order to subsidize primary schools that have no budget for it.

It is interesting to note that although those enterprises avoid most of the price point dilemma, they still need to design a very well-thought business model - as they heavily rely on their clients to be sustainable. Secondary data on My Dream Home reveal how their model is entirely built around cost-efficiency.

“The bricks are made from local materials that are abundant everywhere in Cambodia. When put together to form a building, interlocking bricks use less cement, are less labour intensive, take less time and - most importantly - are 20-40% cheaper than traditional bricks” (website, My Dream Home).

For their part, Voto Mobile works with a form of flexible product and service package that can be “*trimmed down*” in order to suit the budget of their smaller clients.

“Because we are in the service industry, we sell the ‘Ferrari service’ to some partners at full price and the ‘Clio service’ to other clients, at half price. [...] If someone says: ‘I have a \$1000, can you run a survey?’, we’ll say ‘Yes, we can run a standard survey, but you’ll have to translate and record the questions yourself, then we’ll upload it and communicate you the data, but you’ll have to clean the data, you’ll have to do the analysis yourself’. We

can really trim down the product and the service.” (co-founder & business development manager, Voto Mobile).

This model actually proved very strategic for Voto Mobile as their smaller clients would usually be willing to serve as ‘guinea pigs’ and early adopters for products and functionalities never tried before. Once proven effective, those products would then be suggested to the larger, more risk-averse organizations.

“None of the big clients want to do things for the first time, but our small clients are willing to do it. [...] So, what’s interesting is that we discount our small clients, but they really do the fun stuff, and once they have done it 2 to 3 times and we see that it’s working, then we go to our big clients [...] and then they pay the big bucks, they do the scale, and so there is a nice sort of synergy between our small, innovative partners and our more risk-averse, scale partners.” (co-founder & business development manager, Voto Mobile).

However, working with high-end market segments in order to support low-end market segments is not the only model adopted by social enterprises working with paying clients and beneficiaries. ICH optic group for example works with two low-end market segments.

“We sell the glasses at a low price so that anyone can buy them, but we realized that many persons could not pay this price. Therefore, each week, we use a percentage of our profit to finance our donation programs. From Monday to Friday, we sell glasses, but we also take note of all the persons who cannot pay for them. Then, on Saturday, we give the glasses for free to all those persons (1) who crossed a threshold during the eye test that testifies that they genuinely need glasses (2) who had never passed an eye test before (3) whose income does not enable them to buy glasses.” (own translation⁷, founder & CEO, ICH optic group).

⁷ “Las vendemos a un precio bajo para cualquier persona que la puede comprar pero también nos dimos cuenta que había muchas personas que no podían pagar ese precio. Entonces, tomemos un porcentaje de nuestras ganancias y con esto financiamos nuestros proyectos de donaciones. Del lunes a viernes - vendemos los lentes. Pero también tomamos nota de todas las personas que no lo pueden pagar. Y entonces el día sábado los damos lentes a todo ellos, si cumplen los criterios que hemos establecido. Le regalamos lentes (1) a personas que tienen mas que 2 de ópticas - o sea que realmente necesita lentes. (2) a personas que nunca había hecho un examen visual. (3) a personas que no los alcance su dinero para comprar estas lentes”.

Other enterprises like LivelyHoods or Jibu also have a slightly different approach, due to the nature of their social mission. Indeed, the social causes respectively embraced by LivelyHoods and Jibu are multifold: providing staple products while empowering individuals within the local communities to offer them the opportunity to make a living out of it. We can see here how, in this case, the price point remains a dilemma, which is what Galen Welsh, director of Jibu - a successful water franchise in East Africa - shared with us. *“We have a dual objective: making safe drinking water affordable and to equip [local] entrepreneurs to run their own profitable enterprise. So one of the tensions is just the price point of water.”* (co-founder & CEO, Jibu). The dilemma is the same for LivelyHoods, as their multifold social mission requires that the products be sold at the lowest price possible - to maximize the impact on the communities - but high enough as to allow the young entrepreneurs to make a living out of it.

b. Relationships with partners (suppliers, business clients and local governments)

Depending on their attitude towards the social venture, relationships with partners, suppliers, business clients or even local governments can put pressure on the price point as well. Indeed, if these stakeholders deal with the social venture as they would with any traditional firm, they will only seek to maximize their own profit at each transaction, leaving the social venture with more pressure to remain profitable and impactful at the same time. Alternatively, the right kind of partnerships and good relationships with the local government can have a huge impact on the sustainability of the company.

(i) Challenging partnerships & pressures on the price point

When asked about their relationship with their partners, most entrepreneurs acknowledged that there were difficult. To the question: *“Do you feel like your partners [following a question on their suppliers] put pressure on you, and hinder you - in some ways - to reach your dual objective?”*, Galen Welsh, director of Jibu, shared this:

“Absolutely. What we do is that we use their expectation and their cost as a base line and then we think how we can make it profitable for our business - and we think about ways to finance it or to make it affordable for our customers” (co-founder & CEO, Jibu).

In order to do so - they were currently taking a loss with one of their suppliers in Uganda, which was the only way to make the water affordable for their customers in this area and to invest in the

long term success of the entrepreneurs involved. Jibu's CEO also shared that in some contexts, belonging to the social sector, was almost detrimental in that regard. When asked if he felt less pressure from those of Jibu's partners who are well aware of what the enterprise is trying to achieve in terms of social impact, here is what he answered.

"I don't think so, though that's an assumption that people have sometimes: 'Oh you are trying to do good! So everyone should be on your side!' but I've never found that to be the case. Usually when you say that you are trying to do good, people smell money; and the NGO world is known to have a lot of excess fund. I've never seen work in our favour" (co-founder & CEO, Jibu).

"I just think that they [Jibu's suppliers and partners] definitely have another kind of mission than we do, and they just care about how much money is coming in and how much they have to supply costs. People would sometimes make lip services and say 'Oh yeah, because of your mission, we'll do this and that'. But it's not the case, as far as I can see [...] or maybe it's just me, maybe I'm jaded [laughing]" (co-founder & CEO, Jibu).

Partnership with local governments can also prove challenging for social enterprises. One of the findings of Aiken (2006) is that - in some cases - social ventures can struggle to keep their values when working with the public sector, more than if they operate in commercial markets. Two of the entrepreneurs we interviewed are working closely with the government of their countries, respectively India and Mexico. Interestingly, both had adopted the same strategy. In order to make those partnerships work without putting at risk their social mission, they impose their own conditions— even more than with traditional partners. Roberto Alvarado from ICH optic group reported that they had to state very clearly the non-negotiable of ICH.

"With the government, we make it very clear who we are as a company. ICH is an environmental enterprise with a social impact [...]. When the government comes to me, I am very clear. I know where we are heading to, and I know what we have to do. We hold a few meetings and we talk about those things, and we decide what we are going to do, because we are ICH. If they don't feel like it, or they don't like it, we don't do it at all.

[...]. We do what we have to do. Period. If they don't like it, bye bye." (own translation⁸, founder & CEO, ICH optic group).

Jibu reported yet a different experience with local governments. Working in East Africa, their main issue related to the state, is their consistent lack of support despite the involvement of Jibu and other organizations in producing public goods for the local communities.

"I've never seen work it in our favour [the fact that they are a social enterprise] - even with the government officials! We tell them 'Look, we are actually fulfilling your mandate on entrepreneurship, water provision, etc. and a lot of times they just say 'Oh! Cool, just keep telling us what you do'. And that's the extent of our collaboration with them. Maybe we are just not good at it, but I think that this is what I get from other social enterprises in East Africa; that this is a consistent story." (co-founder & CEO, Jibu).

(ii) Strategic partnerships in regards to the price point and the financial viability of the social enterprise

On the other side, there are instances where the social entrepreneurs have a chance to partner with suppliers and/or clients who understand the impact of their enterprise and want to be a part of it. In some cases, they might directly express their support by releasing pressure on prices, for example. This situation can occur when a social venture partners with the CSR branch of a large corporation, for instance. We have encountered this case in our interview with the CEO of ICH optic group who explained how they were part of a social program launched by Essilor, a world leader in ophthalmic optics.

"We made a deal with Essilor - they have a social program called 2.5⁹, and they patented a system where they provide pre-cut lenses 'ready to tape'. Therefore, we go with them to the communities and we provide the people with the glasses. It's a very fast process (15

⁸ "Con el gobierno, nosotros llegamos planteando lo que somos - ICH es una empresa ecológica con impacto social [...]. Cuando el gobierno me habla, la verdad es que estoy muy claro. Yo se a donde vamos, y se lo que tenemos que hacer. Tenemos unas reuniones y nosotros platicamos, y los decimos lo que vamos a hacer, porque somos ICH. Si no les parece, o no les gusta, no hacemos nada [...]. Nosotros hacemos lo que tenemos que hacer. Punto. Si no les gusta, adiós."

⁹ 2.5. New vision generation (n.d.)

minutes). The lenses [...] are Premium lenses that Essilor sells us for one tenth of their price". (own translation¹⁰; founder & director, ICH optic group)

Other strategic partnerships can be conducted with companies willing to provide the social enterprise with pro bono services. In the case of Jibu, despite challenging partnerships with their local manufacturers, the organization was supported by service providers from Europe and the U.S. that helped them in terms of legal advice, marketing, communication, etc.

"We have had incredible pro bono offers originating from Europe or the US. Starting up we've had so much pro bono legal support, pro bono franchise support, even marketing - so we had all those world-class talents who contributed to our model for free, designing the logo, the website, etc." (co-founder & CEO, Jibu).

Partnerships with renowned organizations or the government can also confer legitimacy to the social venture. Nikhil Saigal from Home Safe shared how their partnership with the traffic police turned into a highly strategic partnership that allowed us to get the credibility that they needed.

"If we didn't have the partnership with the traffic police [road safety campaign] we wouldn't be where we are today. We were a start-up that was non-founded, run by two kids who were 22-23 years old, [...] so fact that we were working with the traffic police gave us the kind of legitimacy that we needed. So there was never a question from a customer asking hey are you guys a legitimate service. [...]. The association with the traffic police gave us so much credibility that later allowed us to get support from other companies." (co-founder & director, Home Safe).

¹⁰ *"Hicimos un convenio con ellos - ellos tienen un programa social que se llama 2.5 - ellos patentaron un sistema donde llevan las micas cortadas y graduadas 'ready to tape'. Entonces con ellos, vamos a una comunidad y así servimos a la gente. Es un proceso muy rápido (15 minutos). [...]. Las micas [...]son las micas Premium de Essilor. Ellos me las dan a un décimo de su precio."*

3.1.2. Resource dependency - what is it and what influences it?

a. Dependency towards funders or suppliers

A second sub-area of tension in the income & expenditures category is the dependency that a social venture can develop towards one or more stakeholders. It is a concept that is mentioned by several authors and that also emerged from the data. The literature usually mentions situations of dependency towards funders like the state or foundations (Battilana & Lee, 2014; Cornforth, 2014; Ebrahim *et al.*, 2014), or towards suppliers who have control or some sort of monopoly over a resource that is crucial for the organization (Cornforth, 2014).

What we have observed in our sample, is that most enterprises were actually very intentional on avoiding situations of dependency towards their suppliers or their investors. My Dream Home, for example, purposefully deals with multiple companies to avoid situations of dependency, which is also a way to guarantee better prices, according to the CEO. KadAfrica reports similar practices to avoid to be dependent on a restrained number of buyers. *“We do have a range of people that we can sell to, if we need to. If anything happens we could also just sell in the local market.”* (co-founder & managing director, KadAfrica). However, the most striking example of this strategy is the way One-Eighty managed to minimize their dependency towards the foundations they work with, and who are responsible for 40% of their budget. Their strategy was to *“insulate”* the core of the enterprise from the donation money.

“The way we see the money is designed in a way that if we don’t get renewals from the foundations, One-Eighty can still keep going, because of the way we manage the money”¹¹. [...] The core delivery is insulated from losing the grant money. [...] I think that it’s important to try to design a model that means that if for whatever reason, the foundations change their minds or if you can’t raise the right funds, that the whole service doesn’t evaporate.” (co-founder & chair of trustees, One-Eighty).

¹¹ *“Two of them [the foundations] sponsor lead practitioner roles - which is a job that is paid quite a lot more than the others. [...]. Their role is to be the key experts within the organization to feed their expertise into the people that are delivering the service. [...] The other big grant that we go was to develop a primary school toolkit - and when it was developed, we had it, and we used it as a way to bring new primary schools into our network”* (co-founder & chair of trustees, One-Eighty).

b. Other forms of dependency: towards partnerships or paying clients

However, Cornforth's study (2014) reminds us that resource dependency does not only concern raw material or finances, but that the enterprise can develop a dependency on other forms of goods. Nikhil Saigal from Home Safe shared:

"Since we never had enough money to do our marketing ourselves - we partnered with an alcohol brand and a car manufacturer - and we sat up a road safety campaign for them. [...] we did this at bars, and pubs, using the alcohol company network." (co-founder & CEO, Home Safe).

When asked the question: *"Do you feel any dependence towards one or several of your partnerships"*, Nikhil answered: *"A 100% sure! if it wasn't for the partners that we have, we wouldn't have made it anywhere. Because we didn't have any money to advertise"* (co-founder & CEO, Home Safe). Although, this is not a case of dependency directly mentioned in the literature, the situation meets two of the three conditions set up by Cornforth (2014): the resource is important to the organization, and the supplier has some control over its deployment.

Another form of dependency is much more straightforward and is the one that we can observe in social enterprises serving two separate groups of people: paying clients and intended beneficiaries (Santos *et al.*, 2015). In that case, although the company might serve a large number of actors, the entire model relies on a much smaller group of people to be sustainable. As previously mentioned, Voto Mobile, for example, uses big contracts with large NGOs and institutions such as Unicef, the World Bank, etc. in order to subsidize contracts with smaller local organizations that they want to support. This is also the case of s.e.e.d., One-Eighty, ICH and My Dream Home. In this kind of model, paying clients are a form of inevitable dependency. Without them, the company cannot sustain itself. Nevertheless, some entrepreneurs do not see it as a fatality. Kongngy from My Dream Home shared that they did not want that situation to last in the long term. *"When we will have more sustainability, we will only sell to the poor"* (founder & CEO, My Dream Home).

Arguably, if a social enterprise using this "subsidizing model" ends up being too dependent on the paying clients, there is a risk of "service paradox" as exposed in the literature which is a situation where serving one consistency results in neglecting the other(s) in some degree (Jay, 2013). As we have previously exposed, research shows that hybrid organizations tend to comply with "the demands stemming from external constituencies on which they depend for key

resources”, while they are “more likely to resist the demands from constituencies on which they do not depend” (Battilana & Lee, 2014).

Therefore, we understand how a high level of dependency towards partners or paying clients can create situations of instability and financial difficulties for the social enterprise if the partner(s) or the paying clients pull out, or a situation of mission drift towards the commercial form if the organization starts to prioritize the clients over the intended beneficiaries.

3.1.3. Resource allocation dilemmas - what are they and what triggers them?

Another sub-area of tension within the income & expenditures category is the resource allocation dilemma. That issue asks the question of how resources such as capital, labour, or even time and attention, are used for the advancement of the two objectives of the social venture. As exposed in the literature review, Battilana & Lee (2014) along with other authors, suggest that the resource allocation issue is much more apparent in differentiated social businesses than integrated ones. This is also a concept that is linked to the “service paradox” as exposed earlier. Theoretically, the more separated the commercial activities from the non-commercial ones, the more the question arises of the allocation of resources to each set of activities.

Of course, as previously discussed, not all social enterprises have the luxury of choosing the level of activity integration they want to work with, as it is somehow linked with the nature of the social mission they embrace. However, according to several interviewees, running integrated activities is a way to reconcile the two goals and increase the overall efficiency of the organization - in regards to the resource allocation dilemma among other elements.

“Everything needs to be aligned - you want that the more money is made, the more impact is there - as soon as those things depart, that’s where we see the cracks. [...] Anytime our model wasn’t integrated between our business and our impact, then one or the other suffered” (co-founder & CEO, Jibu).

“We have never had this issue [resource allocation dilemmas] because the two [the commercial activities and the non-commercial activities] are really connected. If we were to do one (stop providing girls with classes) or the other (not invest in the health of the plants) then the girls would lose interest and drop out” (co-founder & managing director, KadAfrica).

Those quotes testify of what we have observed in our sample: the enterprises that we studied did not truly encounter resource allocation dilemma - which can be explained, we believe, by the high level of integration they showed between their social and their commercial goals.

In conclusion, the income & expenditures category is an organizational area within social enterprises where the two objectives confront each other on many fronts. In that section, we have observed how the social entrepreneurs use different strategies to alleviate those tensions such as leveraging synergies between the two objectives, designing a customizable product or service to serve both low end and high end segments, avoiding dependency towards stakeholders, wisely allocating their resources, etc. We will present now two other areas where the objectives confront each other, and the different strategies the entrepreneurs use to cope with the associated tensions.

3.2. Performance definition

The definition of performance is the second main area of tensions that we have identified. According to the literature and the interviews, two organizational features are more likely to trigger this area: the performance measurement and the reward & incentive system.

3.2.1. Performance measurement & set(s) of metrics chosen

Although social entrepreneurs need to remain creative and open-minded when it comes to measure their success, applying the wrong set of metrics to the wrong type of performance can theoretically create some of the tensions that we have talked about. As we have seen in the literature review, a few authors mention the importance of having a hybrid set of metrics to measure hybrid performance.

However, in practice, we have not come across very elaborated, genuine hybrid systems. On the contrary, what we have observed in our sample - consisted of highly integrated social enterprises - is that the entrepreneurs seem to leverage a maximum of synergies between the traditional business metrics and the assessment of their impact. Home Safe, for example, uses a fairly quantitative and straightforward way, derived from their business metrics, to calculate the impact of their service.

“For us it’s quite simple, we just look at the number of services that we end up doing in a month - divided by night shift and day shift - knowing that we attribute the night shift for the people drinking and the day shift to people using it out of convenience” (co-founder & CEO, Home Safe)

Other enterprises like LivelyHoods or My Dream Home also seek synergies between financial and social accounting, and do not seem to look for two separate sets of metrics. LivelyHoods calculate the social impact of their activities in terms of jobs created, and of carbon emission reduction (since a large percentage of the products they sell are environmentally friendly); My Dream Home assess their social performance by counting the number of low-income people who are provided with a shelter thanks to their service. Those metrics are very simple and are mainly derived from the business metrics that the organization uses.

When, in some enterprises, the overlap is too small, the key word still remains “simplicity”, according to our data. s.e.e.d, for example, assess their social impact using the proportion of hours allocated to their pro bono projects. *“We keep track of our hours deployed and how they are allocated between the pro bono and the income-generating hours. This is the main social KPI, how our hours are allocated”* (co-founder & partner, s.e.e.d.).

Overall, in our sample, only One-Eighty produces a real “social impact” assessment on a yearly basis, which allows them to attract new partners, as suggested in the article of Nicholls (2009) on social reporting.

“Every year we produce statistics of our impact. [...]. We agree objectives at the start, then measure how the child met those objectives, and this get signed off by the teacher in charge. Then it gets audited by a trustee who is a social work professor at Oxford Brookes university. After what, we send it to a maximum number of schools in the area so that they can see the impact that we have. It then produces a lot of work.” (co-founder & chair of trustees, One-Eighty).

In conclusion, the majority of our sample did not use elaborated metrics to assess of their social performance, which did not seem to lead to internal tensions. Although one could think that using the same set of metrics for both the financial and the social objective will create tensions between them, our finding suggests that this approach - at least in highly social enterprises - is a successful and legitimate strategy against the “paradox of performing”, “the ambiguity about whether certain

organizational outcomes represent failure or success” (Jay, 2013). This finding cannot be generalized to less integrated social enterprises that will most likely need to assess their two goals separately.

3.2.2. Reward & incentive system

Another organizational feature that can impact the definition of the performance and trigger the tension between the two objectives is the way companies choose to reward and incentivize their employees: Is the nature of the reward financial, non-financial, or both? Does the company only incentivize financial performance or also the social impact? etc. The answer to these questions will generally give an idea of the degree of tension between the social and the commercial objective, and whether the leadership favours one goal over the other.

What has emerged from our data is that the incentives used by social enterprises are mostly financial and only sometimes completed by non-financial rewards. *“The rewards are mostly linked to the revenue KPIs. Managers who reach their KPIs are given a financial bonus and are eligible for promotion.”* (co-founder & business development manager, Voto Mobile). We believe that this can be related to the synergetic approach that we have observed in the previous point, a strategy that seems to work in highly integrated social enterprises. Indeed, if advancing the commercial goal also advances the social mission, then we understand how a financial reward to a financial performance is not detrimental to the social objective, quite the contrary. Therefore, although some authors warn against the use of only one type of rewards or incentives (only financial or only non-financial), this situation does not seem to for highly integrated social enterprises.

Despite the existence of those synergies that are the mark of highly integrated structures, some entrepreneurs still choose to use both non-financial and financial incentives to reward the employees which is also a way to keep the social mission central to the organization.

“If they perform well, the financial reward with the bottle [the Jibu trophy - a non-financial reward] is integrated. [...]. I think that this [the Jibu trophy] brings the social side as much as possible. For the franchisees to be motivated by the social mission. [...] It’s a nice extra way to push things in a direction or another.” (co-founder & CEO, Jibu).

To conclude on this section, what we have found in terms of tensions around the definition of

performance is very interesting, as it is not fully aligned with the literature that suggests that measuring performance “on both business and social dimensions” offers “a means by which to align the incentives of organization members with an objective function that reflects multiple organizational goals” (Battilana & Lee, 2014) which should alleviate internal tensions. As a matter of fact, the enterprises we studied were mostly using business metrics and financial rewards which did not seem to create tensions. We believe that this might be explained by the bias of our sample, made of (highly) integrated enterprises with a lot of synergies between the social and the commercial performance. Indeed, from a theoretical point of view, being a highly integrated social enterprise (*high level of logics compatibility*) whose core is mainly dominated by the business rationale (*low level of logics centrality*), actually makes sense to alleviate the tensions as we have previously seen in the literature review (section 1.4.3.). Besharov & Smith (2014) argue that this is the ideal combinations of logics compatibility and centrality to limit the tensions caused by the hybridity of the organization. We believe that this principle was very well summarized by Alastair Colin-Jones, co-founder and chair of trustees of One-Eighty.

“If I’m honest, our day-to-day thinking is much more dominated by the business side than the social side, and the reason for this is not because we are forgetting why we started to begin with. But if we want to keep going with our mission, we need a solid business basis for what we do. So I guess that the analogy is that the vehicle in which we are in is social - the car is a social vehicle, and the content that we carry is social as well. But the fuel is still business, and I would rather have the car keeping going down the road than run out of fuel completely.” (co-founder & chair of trustees, One-Eighty).

3.3. Workforce composition

As we have seen through the literature, hybrid individuals are a rare breed, and social enterprises usually employ people belonging to very different sectors, which can create tensions between groups, a situation that Battilana & Lee (2014) explain in the following terms “*Individuals develop dispositions that reflect dominant organizational forms, because their work experiences and training socialize them according to these forms.*”.

No surprisingly, the main trigger of those tensions are found in the hiring practices but also socialization practices of the organization, which are policies “which teach and reinforce desired behaviours and values in hires” (Battilana & Dorado, 2010).

Nevertheless, we must make the difference here for a specific type of social entrepreneurship

- that views employees or workers as an integral part of the social mission. In those *cases*, there might not be tensions due to the confrontation of different sectors at their level, but at the level above.

3.3.1. *The apprenticeship strategy*

Across the interviews, we have found that some entrepreneurs have fully adopted the apprenticeship strategy as exposed in the article of Battilana & Dorado (2010), an approach that consists in hiring young people and postgraduates with no work experience and train them as hybrid employees - a successful approach for hybrid organizations according to the authors that also limits the needs for intense post-recruitment socialization.

“We hire a lot of people from UNITEC¹². They are young entrepreneurs with great ideas, but few results. [...]. It’s important that they are young, because our work days are pretty long (12-14 hours). You need to walk through the mountains and other things, so we need people that are really motivated”. (own translation¹³, founder & CEO, ICH optic group).

“We have had this habit of hiring people who are young, and we teach them the skills” (co-founder & director, Home Safe).

At s.e.e.d., a lot of staff are students who are interning in the organization in order to complete their degree.

“In Costa Rica, law school is scheduled in a way that it is a dual program. [...] If you don’t practice well while you’re studying, when you graduate, you don’t find any jobs. So, most of our recruits are students that haven’t finished school yet.” (co-founder & partner, s.e.e.d.)

¹² Universidad Tecnológica de México (UNITEC)

¹³ *“Nosotros tomamos a muchísima gente de UNITEC. Son jóvenes emprendedores que tienen grandes ideas y poco resultados. (...). Es importante que sean jóvenes porque nuestras jornadas de trabajo son bastante pesadas (12-14 horas), hay que caminar en las montañas y muchas otras cosas. Entonces necesitamos gente que tengan las ganas de hacer”*

According to our interviewee, young people are easier to work with, because they are generally willing to fully embrace the social aspect of their job. *“It’s not that you don’t find older people that are aligned with your mission - that would be a lie of course - but it’s easier to shape younger talent.”* (co-founder & partner, s.e.e.d.).

Therefore, our data shows that the apprenticeship approach is indeed used in social entrepreneurship settings (observed in three out of nine cases) and that it is mostly a successful strategy. We would like to draw the attention here on a specific type of social entrepreneurship - that views employees or workers as an integral part of the social mission - which is something that we have observed in several enterprises: ICH, KadAfrica, My Dream Home and LivelyHoods. We believe that this can also be a successful application of the apprenticeship approach, which furthermore allows the organization to maximize its impact. The employees are trained from nothing, and naturally become hybrid individuals. Here are instantiations of this approach that are found in the interviews.

“ICH exists to help multiple persons, not only those who receive the glasses, but also each person who joins the team” (own translation¹⁴, founder & CEO, ICH optic group).

“People with higher education can get a job somewhere else. I am giving an opportunity to people who could not work elsewhere” (founder & director, My Dream Home).

“All of our branch managers and our senior staff are former sales agents. [...]. Background and education shouldn’t be a determinant for success [...] and I think that this is probably the most beautiful part of the organization”. (co-founder & board member, LivelyHoods).

3.3.2. Specific case - a company working in an industry historically dominated by the state

Other social enterprises work in areas and industries such as the health sector and the education - that are traditionally ruled by the government. In the case that we have observed, the staff of the

¹⁴ *“ICH es para ayudar a muchas personas, no solamente aquellos aquel los damos lentes sino a todos que se enteran al equipo”*

organization - who had previously worked in the public sphere - were often “surprised” by the strong commercial aspect of the organization. In this case, it is not two groups of people that confront each other, but one homogeneous group belonging to a specific sector that is confronted to the heterogeneity and hybridity of the social enterprise.

“Everyone [in the company] is teacher, social worker, or it’s the first or second job after university. [...] I think that - the feedback in general is that people [the staff] are a bit surprised by how strong the commercial element is. They know we are a charity and that the work that we do is charitable, that we have a specific purpose, and that our mission is really clear. But they are still surprised at some of the process that such a small charity already has. [i.e., strong impact assessment, investment into contacts, network, etc.]” (co-founder & chair of trustees, One-Eighty).

However, One-Eighty is also in the process of hiring a finance person, and that is already causing a few tensions at the staff level, as we understand from his words.

“In the conversations around hiring that person, there has already been a few tensions. We have had questions like ‘Will this person make a lot of changes? Will we loose who we are?’ - they are annoyed because that person will be better remunerated, because we needed higher salaries to attract candidates from this sector.” (co-founder & chair of trustees, One-Eighty).

3.3.3. Specific case - companies working with technical products/services

Social enterprises working with very technical products or services - such as Voto Mobile, and s.e.e.d. - seem to put the emphasis on the technical skills of their candidates first, and then on their motivations. This actually relates to the idea we previously developed on how some (highly) integrated social enterprises put the business logics first while making sure that the social mission remains central to their activities. This is something that we have observed in the hiring practices of Voto Mobile and s.e.e.d. that are looking for candidates who have the skills to do the job and their values aligned with the company’s vision. Those companies do not primarily look for profiles coming from the charity sector, or with a background in development, or anthropology for example.

“We look for people who have business development experience, with as much as technological experience as possible. We also look for people who have experience in the development world, and a passion for impact [...] but, there’s nothing sophisticated about it. Of course we are looking for people that are mission-aligned but we are also looking for people who can meet their sales KPIs as well.” (co-founder & business development manager, Voto Mobile).

“In terms of legal background, they [the employees] are already trained, but in terms of how to treat the sector, we do train them. I mean, it’s not like we have workshop or session, but through practice, they develop a sense of how to deal with the sector.” (co-founder & partner, s.e.e.d.)

As previously exposed, we believe that in the specific case of (highly integrated) structures, and when the product/service requires it, hiring primarily technical profiles is a legitimate way to ensure that the company stays in the market and maximizes its impact.

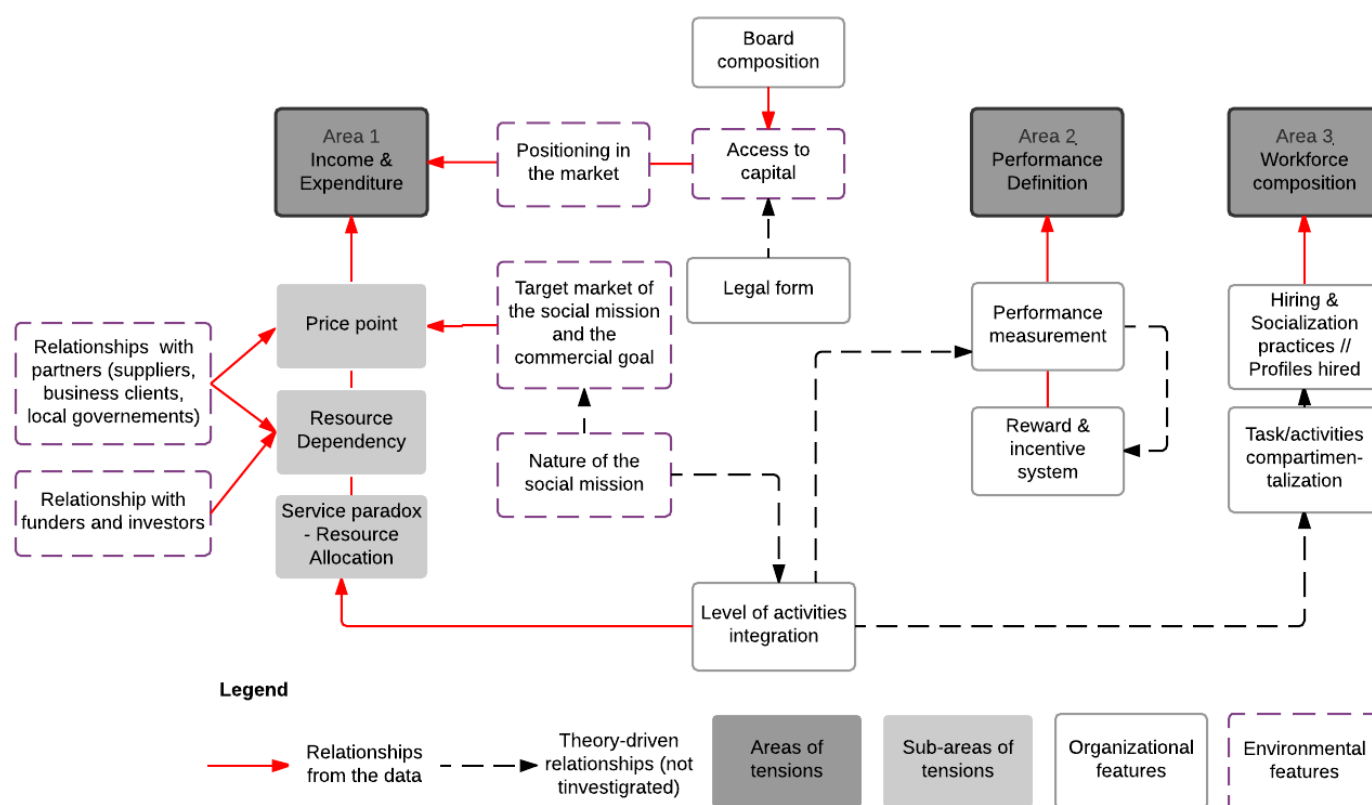


Figure 2: Organigram - Areas of tensions where the social and the commercial objectives confront each other & related organizational and environmental features that can be possible sources of mission drift within a social enterprise.

V. CONCLUSION

1. Reflection on the chosen theme, the concepts defined and the research question

The overarching aim of this research was to highlight the tensions that social enterprises face, and more specifically to identify the areas where the social, environmental and financial goals confront each other within the organization and which characteristics of the organization and its environment have a possible influence on such areas of tensions, therefore being possible sources of mission drift. Tensions were defined in the light of the risk of mission drift social businesses are exposed to, that we have demarcated and defined for the purpose of this study, the same way we have demarcated and defined the definition of social entrepreneurship that we would use. In order to confirm or infirm those relationships and to identify possible gaps in the literature, we conducted open-ended interviews with social entrepreneurs on those subjects. As revealed in the methodology part, the entrepreneurs selected came from various parts of the world, and from various sectors and were the (co)-founders of their respective companies, of which seven remained at the head of the enterprise, board members, or in a leadership position.

We chose a definition of social enterprise broad enough to correspond to the different schools of thought in the field, but precise enough to allow us to select similar and relevant cases for our analysis. The social enterprises selected had to be fully hybrid in their DNA - and not only momentarily hybrid - with both a social and/or environmental objective - central to the activities and not only peripheral - and a commercial objective (most income coming from the market). In addition, we focused on social enterprises that possessed a certain level of maturity, being at least 3 years old.

The way we approached the tensions due to the double objective was in compliance with the concept of mission drift as we have demarcated it, based on the diverse literature on the subject and the first few interviews. First, we see mission drift as a symmetric concept that does not only concern the loss of the social mission, but considers the lack of attention to either the commercial or the social aspect of the enterprise. Then, we argue that this is a situation that each social business is confronted to, on a regular basis, and that this state of things can be temporary and not definitive.

The general answer to our research question can be found in the form of the organigram that was designed thanks to the literature and the interviews. This organigram shows the direct and indirect links between the organizational and environmental features possible areas of tensions within

social enterprises. Some of the links support the existing literature on the subject, but not all of them.

2. Key findings of the thesis

What we have built based on the literature and the interviews, and what we wish to offer to the reader is a global understanding of where and how the frictions between the two objectives occur within a social enterprise (the areas of tensions), and how some features and characteristics from the organization itself and its environment can be possible sources of mission drift. The organigram at the end of the previous section should also help the reader to understand the main findings of our research (cf. Figure 2).

First of all, we started by identifying the areas of tensions associated with the income & expenditure of the social ventures that we have studied. From there, we identified three sub-areas of tensions and how they could be triggered by features and characteristics from the organization and its environment. Those sub-areas are the following: first, the determination of the price point for the product/service offered by the company. For instance, the nature of the social mission, and the possible tensions within the social mission itself - when the organization is serving two groups that have contradictory needs¹⁵. Other aspects that could cause tensions involve the kinds of partnerships - with the suppliers, business clients, business partners or local governments - the social business is managing, and how the absence of it - e.g. lack of support from the government as we have seen in Jibu - can also surface tensions within the social enterprise regarding the determination of the price point. This leads us to our second point which is the resource dependence pattern. In that section, what we have observed mainly confirms what the literature suggests on the subject. Social enterprises can quickly find themselves in situations of dependency towards funders, donators, paying clients, suppliers, etc. Something that we have observed and that was not directly mentioned in the literature, is how a social business can find itself dependent on partnership for specific services, which is something that we have observed in one case only (Home Safe). Besides those risks, we have also seen how some enterprises are very careful on those issues, and design strategies to remain as independent as possible from specific stakeholders (suppliers, donators, etc.). Finally, the last pain point that we identified in the income and

¹⁵ e.g. In the case of LivelyHoods: the sellers' need to make a living, and the communities' need to afford the product/service - as we have seen in the case of LivelyHoods

expenditures category is the risk for the organization to face a resource allocation dilemma between its two objectives, an issue that has not been raised during the interviews - probably due to the high level of activity integration of the selected enterprises.

Secondly, we discovered in the literature an area of tensions that we called the performance definition, which includes the way the company measures its success - both social and commercial - and the way employees are incentivized and rewarded to achieve this performance. According to the literature, social enterprises need to measure the two dimensions of their activities (social impact and financial viability) in order to avoid the tensions that can create the conditions for mission drift. However, what we have observed, is that the entrepreneurs are usually hoping to maximise synergies between the business metrics and their social impact assessment. As we have previously exposed, we believe that this result is actually due to our sample that is mostly made of (highly) integrated social enterprises. In this case, keeping the business logics first is in fact a legitimate way to achieve the double objective, as the social logics is compatible with the business logics due to the high integration of the structure (cf. Besharov & Smith, 2014 on the logics compatibility and centrality in hybrid organizations).

Finally, the last area of tensions that we identified raises questions of workforce and hiring and socialization practices. Our primary conclusion here is that the apprenticeship strategy seems to be a successful approach - as it is suggested in the literature - especially in the social enterprises that view their employees as part of their social mission. Other observations came in support of the theory on the tensions that can arise between members of different sectors, or of a homogeneous workforce conformed to the logic of one sector, with the hybrid functioning of a social business.

Nevertheless, despite those many frictions, it is worth noting that some entrepreneurs reported how being a hybrid actually allowed them to maximize their social impact and to stay innovative. At One-Eighty, our interviewee, Alastair Colin-Jones reported how their model allows them to maximize the resources available, and maximize their impact, in a sector mostly known for its inefficiency.

“The model that we have means that we really maximize the budget that the school has for this work. [...]. The service that was provided before [by the public sphere] was not optimal: there was a lot of inefficiency [...] and a lot of bureaucracy [...].” (co-founder & chair of trustees, One-Eighty).

According to Alastair Colin-Jones, the commercial aspect of the organization also contributes to its efficiency.

“In our experiences, when the school contributes even a small amount of money, they take the service more seriously, which is why we don’t do anything for free. [...] When you give it for free, there isn’t that psychological buying into the commitment. [...] Our learning is that it is genuinely important that there is a financial commitment because it solidifies the commitment to the whole process.” (co-founder & chair of trustees, One-Eighty)

On the other hand, Galen Welsh, Jibu’s director shared how their social mission actually allows them to stay attentive to their customers’ needs, and to provide a better service.

“If you are a company set up to maximize profit, you actually lose some sense of creativity - but if you have a mission that you need to make profitable, it usually leads you to be more innovative - also because you are thinking a lot more from a customer perspective.” (co-founder & CEO, Jibu).

We can conclude therefore that carrying the double objective of financial sustainability and social impact has inherent pros and cons. Though our research only focused on the tensions created by this hybridity, those organizations like social enterprises also allow their members to leverage synergies and to evolve in their market in such a way that would have been impossible using more traditional models.

3. Limits of the study

It is also important to note the limits and the weaknesses of our research. We are indeed aware that we probably did not identify all the tensions that social enterprises are facing, and that we probably included tensions that are only specific to some organizations that do not properly represent the sector.

First, we need to take into account the limitation of our sample and the definition of social entrepreneurship that we chose to work with. As already exposed in the literature review and the methodology part, social entrepreneurship is a notion that still lacks a clear and unified vision. Therefore, the definition that we chose is not representative of the whole sector and has also probably been influenced by the very definition of the *Skoll Centre for Social Entrepreneurship* as

seven out of our nine cases were part of the Skoll network. What is more, the enterprises we studied were all (highly) integrated structures which does not allow us to draw strong conclusions on the impact of the level of activities integration on the tensions experienced by the organizations.

Second, the limits due to our investigation, strictly speaking. We could only interview the founders of each enterprise and we did not have the opportunity to visit the organizations in person to have some field observation. In each case we most probably encountered language bias as nor English and Spanish are my mother tongues. In two cases, the language used - English - was not the mother tongue of the interviewee neither. Regarding secondary data, we could only access the necessary corporate documents for four enterprises - apart from the website and social media pages that were accessible and detailed for almost each company. Those were useful to back up the interviewee's word, as exposed in the methodology part.

4. Further research questions

Although we tried to be complete in our research, we could of course not be exhaustive, and several questions remain that should be interesting for further investigation.

4.1. Remuneration and the tensions experienced by social enterprises

First, the impact of the remuneration on the tensions caused by the double objective. During the interviews, when asked about their reward & incentive system, several entrepreneurs first mentioned the importance of offering competitive salaries to their employees. The founder of s.e.e.d. put it in those terms.

“People don’t eat mission. People cannot pay bills with mission or passion, so even though you are a modest organization, you need to have the resources to pay for talents. Talents need to be aligned to your vision but need to be well-compensated as well. There is no way you can change that.” (co-founder & partner, s.e.e.d.)

Although we unfortunately did not have the opportunity to investigate more on this question, nor in the literature, nor in relation with the organizational & environmental features, we still understand how a fair remuneration is a way to ensure that people stay focused on their mission, and maximize the social impact of the organization, as Roberto Alvarado from ICH put it.

“What I’m trying to do is to have the most competitive salaries. When people work with us, and know that their financial situation is solved, they can be entirely focused on their job. They are not thinking about other things, such as: How are they going to pay the rent? etc. [...] I don’t want them to be preoccupied about other things than helping people.” (own translation¹⁶, founder & CEO, ICH optic group).

For some social enterprises, their staff is an integral part of their social mission and one of their objectives is to make sure that they are remunerated in consequence. *“ICH exists to help multiple persons, not only those who receive the glasses, but also each person who joins the team, this is why I’m trying to offer salaries that are very competitive.”* (own translation¹⁷, founder & CEO, ICH optic group). For some organizations, it also just means giving an opportunity to people who are marginalized in the labour market. *“People with higher education can get a job somewhere else. I am giving an opportunity to people who could not work elsewhere”* (founder & director, My Dream Home).

Unfortunately, some social enterprises are simply not able to compete with the market wages, and this can result in some tensions for them. The chair of trustees of One-Eighty shared that this situation was leading them to a high rate of employee turnover, a costly situation for the organization.

“Our greatest challenge has been around staff and recruitment [...]. We are trying to employ people who could definitely get jobs that would be more medical orientated and where they would get better wages. [...]. Some of our best people will stay for 18 months and then go get a job at a mental health charity, or they will start working for the NHS¹⁸.” (co-founder & chair of trustees, One-Eighty).

¹⁶ *“Lo que yo trato de hacer es tener saldos de lo mas competitivos porque cuando la gente tiene su situación económica resuelta cuando trabajan con nosotros están completamente enfocados en lo que tienen que hacer. No están pensando en otra cosa, como la renta, etc.[...]. No quiero que se preocupen de otras cosas mas que ayudar a las personas.”*

¹⁷ *“ICH es para ayudar a muchas personas, no solamente aquellos aquel los damos lentes sino a todos que se enteran al equipo entonces lo que yo trato de hacer es tener saldos de lo mas competitivos”*

¹⁸ The National Health Service (NHS) - the public health service of the U.K.

“We are not a large NGO - we operate on a very tight budget [...]. This is hard because you need people to value the experience of running a start-up kind of social enterprise more than the money that they earn because we are not big enough yet to pay anyone a large amount of money for working with us.” (co-founder & managing director, KadAfrica).

Nevertheless, the question of salaries is also interesting to study in the light of the mission that people are trying to achieve. As a matter of fact, we understand as well how a social enterprise that chooses to prioritize their employees by paying them relatively high salaries - “high” in their specific context - could in some cases end up compromising on their social impact and on the well-being of their beneficiaries.

4.2. Board composition and the tensions experienced by social enterprises

Cornforth (2014) gives attention to the importance of boards when it comes to mitigating the risk of mission drift. Regarding the composition and the profile of the members, Cornforth cites the work of Pache & Santos (2010) who suggest that unequal repartition of power within the board can lead to manipulation and equal repartition to paralysis or break up. This can then lead to mission drift and disclosure respectively. The authors also mention a working paper from Ebrahim, Battilana & Mair (2013) that suggests that boards are powerful tools for social enterprises to retain their hybridity but they call for future research to investigate those questions - do those members need to have an experience of both fields? Or should they be representatives of just one field? etc.

4.3. Social entrepreneurship and the Judeo-Christian faith

A final thought that has come to light through this research is that arguably social entrepreneurship responds to some principles rooted in the Jewish and Christian faith. Three out of the nine people interviewed were passionate Christians, who were very vocal about their faith. Although not the object of this thesis, the correlation between the Judeo-Christian faith and the principles of social entrepreneurship and service to society (away from traditional charity) seems like a very interesting topic. Dr. Andrea Trice is an American social scientist who has focused a large part of her research on social entrepreneurship topics. In a blog post that she published in April 2017, she drew the attention on the importance of considering the definition of a “flourishing society” from a theological point of view, since a substantial part of the global population is Jewish or Christian.

In one of the books of the Torah, which is also part of the Bible's Old Testament, the Scriptures describe an economic model called the "Jubilee", in which a certain number of themes appear on the way the Jews of that time were supposed to manage finances, property, justice, work/rest, etc. Those are principles that are still held - in the essence of their meaning - by Jews and Christians today. It would certainly be very interesting to analyse the principles of social entrepreneurship in the light of the Jubilee model, and the Judeo-Christian philosophy in general. In Trice's identification of the different themes, the words "collaboration", "restoration" "and community-based system" are prevalent, along with "reintegration" within society, and "mutual obligation", which are key words that are also used when talking about social entrepreneurship.

Social entrepreneurship is definitely a new field still largely unexplored while attracting growing attention from both academic and business worlds. The recent acquisition of Whole Foods funded by John Mackey, the author of "Conscious Capitalism" by Amazon, is a striking illustration of the difficulty to combine business practices with a social/environmental purpose. Further research and bold business ventures are therefore needed to shape, structure and organize this new and growing field in order to propel a change of paradigm in business practices. This paper aims to be a very modest exploration to this challenging and exciting

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VII. ANNEX

1. Annex 1: Interview guide (first round)

Questions	Data - Information needed/Follow up questions ¹⁹ -	Themes
Can you tell me more about the <i>genesis</i> of your enterprise? How did it come to life? + <i>values</i>	Are the activities integrated or differentiated? What were the primary motives of the team/founder? (social? Commercial? Both?) What was their original idea? Is it still the same today? Or have they changed direction? If yes, why?	Organizational structure Logics competition Social imprinting/Social sustainability
How do you <i>organize the work</i> in the company - how many different teams are there?	Are the tasks compartmentalized between 2 subgroups (social/commercial) or not?	Workforce composition
Can you tell me a bit more about your <i>hiring policies</i> ? Which traits and characteristics do you look for in candidates?	Who do they hire? People with strong sectorial identities? Or no work experience? Is it intentional? Is it to avoid tensions or not?	Apprenticeship or Integration strategy? Socialization
Which legal form do you have? How did you adopt the <i>legal form</i> that you have now? What was the process? If DH: do you have 2 separate legal forms? (= 2 different companies) ⇒ What about resources allocation?	Was the choice of the legal form intentional? Did they try out different legal forms before? What are the advantages and disadvantages of their current legal form in the pursuit of the double objective? Resources allocation?	Legal form Resources allocation

¹⁹ Those questions were asked in the case of the main question not leading to the kind of answers that we were looking for.

Do you have other <i>sources of income</i> - other than the market? Do you accept <i>donations</i> ?	Do they rely mostly on the market? Are they dependent on some constituency? (e.g. the state, donators) Are their <i>clients</i> the <i>beneficiaries</i> of the venture?	Financial viability Resources dependency
Can you tell me more about your <i>suppliers</i> ?	Are they hybrid, non-profit or purely commercial? The resources they need are they subject to monopoly? How many suppliers do they have? - are they diverse enough? Is the company more dependent on one of them?	Resource dependency towards suppliers (Cornforth, 2014)
Who were your <i>initial investors</i> ? Who are they now?	Was it difficult to access capital? If yes, is it because of the nature of the social enterprise?	Financial viability Access to capital Resources dependency towards funders
Can you tell me about your <i>partnerships</i> if you have any?	How do they deal with their stakeholders? Does it sound difficult? If yes, is it due to their nature of the social enterprise?	Multiple stakeholder's management Ecosystem functioning?
Do you have any <i>competitors</i> ?		Financial viability Competition
Regarding the tensions between the social and the commercial - Can you tell me about a <i>the most difficult decision</i> you had to make in that concern? Which goal overtook this time (social or commercial) and why? Maybe ask the person to tell a <i>second story</i> for more data. - if there is time	Which goal overtook this time (social or commercial) and why? What were the consequences of that decision in terms of risks of mission drift?	Logics competition Resources allocation
How do you <i>define and measure success</i> for your enterprise? (KPIs, etc.)	Do they use separate sets of metrics? For the social and the commercial goal? Or do they use the same metrics for both? How complex are the metrics?	Paradox of performing Assessment tensions

Do you have a <i>reward & incentive system</i> for your employees? If yes, how does it work? Which kinds of behaviours are encouraged? And what is the nature of the rewards? (vacation? Money?)	Do they have a control & incentive system? Do they reward hybrid behaviours?	Reward & Incentive system
Which kind of persons do you have on your <i>board</i> ? (if you have one)	Are the board members “hybrid individuals” or not?	Logics competition

2. Annex 2: Interview guide (second round)

Questions	Data - Information needed/Follow up questions ²⁰ -	Themes
Can you tell me more about the <i>genesis</i> of your enterprise? How did it come to life? + <i>values</i> ²¹	Are the activities integrated or differentiated? What were the primary motives of the team/founder? (social? Commercial? Both?) What was their original idea? Is it still the same today? Or have they changed direction? If yes, why?	Organizational structure Logics competition
Can you tell me about your process when it came to define a <i>price point</i> ? What are the tensions that you experience due to your current price point? Is your price point stable? Or have you changed/Do you change it “often”?		Price point Service paradox
If you had to separate your activities, which ones would you say would fall into the category of <i>non-commercially related</i> , and <i>commercially related</i> ? How do you allocate your resources between those two categories?	Do they see their activities as highly integrated or differentiated? Do they experience resource allocation dilemmas?	Level of activity integration Resource allocation
Can you tell me more about your <i>suppliers</i> (if relevant) or <i>partners</i> ?	Are they hybrid, non-profit or purely commercial? The resources they need are they subject to monopoly? How many suppliers do they have? - are they diverse enough? Is the company more dependent on one of them?	Resource dependency towards suppliers
Who were your <i>initial investors</i> ? Who are they now?	Was it difficult to access capital? If yes, is it because of the nature of the social enterprise?	Financial viability Access to capital Resources dependency towards funders
Can you tell me about your <i>partnerships</i> if you have any?	How do they deal with their stakeholders? Does it sound difficult?	Resources dependency towards business clients

²⁰ Those questions were asked in the case of the main question not leading to the kind of answers that we were looking for.

²¹ This question was not asked if this was a follow-up interview

	If yes, is it due to the nature of the social enterprise?	
How do you <i>organize the work</i> in the company - how many different teams are there?	Are the tasks compartmentalized between 2 subgroups (social/commercial) or not?	Workforce composition
Can you tell me a bit more about your <i>hiring policies</i> ? Which traits and characteristics do you look for in candidates?	Who do they hire? People with strong sectorial identities? Or no work experience? Is it intentional? Is it to avoid tensions or not?	Apprenticeship or Integration strategy? Socialization
How do you <i>define and measure success</i> for your enterprise? (KPIs, etc.)	Do they have a control & incentive system? Do they reward hybrid behaviours?	Paradox of performing Assessment tensions
Do you have a <i>reward & incentive system</i> for your employees? If yes, how does it work? Which kinds of behaviors are encouraged? And what is the nature of the rewards? (vacation? Money?)	Do they have a control & incentive system? Do they reward hybrid behaviours?	Reward & Incentive system
How do you <i>define and measure success</i> for your enterprise? (KPIs, etc.)	Do they use separate sets of metrics? For the social and the commercial goal? Or do they use the same metrics for both? How complex are those metrics?	Paradox of performing Assessment tensions
Additional questions		
Do you have any <i>competitors</i> ?	How do they position themselves in the market?	Financial viability Positioning in the market
Have you ever being on the verge of <i>bankruptcy</i> ?		Financial viability and the risk of losing the commercial aspect of the organization

Have you met people who wanted to buy the company?		Risks of losing the social aspect of the organization
Which <i>legal form</i> have you adopted and why?	Was the adoption of their legal form strategic to access investment? What are the advantages and disadvantages of their current legal form in the pursuit of the double objective?	Legal form Access to capital

