

**Mission and Markets?  
Organizational Hybridity in Social Ventures**

**A dissertation presented**

**by**

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**Abstract**

This dissertation seeks to understand the antecedents, processes, and consequences of institutional hybridity in entrepreneurship and organizations, with a specific focus on phenomena at the interface of business organization and social welfare concerns. While recent research has surfaced organizational mechanisms and processes unique to new hybrid social ventures that combine aspects of business and charity, research to date has not addressed the antecedents of this institutional hybridity, nor its consequences for the organizational viability of these ventures. With respect to large corporations, research focused on corporate social responsibility has flourished, but takes a relatively narrow view of corporations' influence of social welfare in terms of business outputs. To address these gaps, this dissertation examines two separate phenomena at the interface of business organization and social welfare concerns. Chapter 2, "How the Zebra Got its Stripes: Multiple Imprinting of Entrepreneurs and Hybrid Social Ventures," explores the role of individual imprinting in social venture founders' propensity to incorporate aspects of the business form, thus creating a hybrid. Chapter 3, "Mission and Markets? The Viability of Hybrid Social Ventures," also uses the setting of hybrid social ventures to investigate how combining multiple organizational forms influences a range of organizational outcomes considered critical to organizational viability. Finally, Chapter 4, "Large Corporations, Community Social Capital and Social Welfare: Evidence from Organized Community Philanthropy," shifts focus to an examination of how large corporations indirectly affect community social capital, and thereby shape community-level processes such as corporate philanthropy that support social welfare.

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## **AUTHOR LIST**

Chapter 2 was co-authored with Julie Battilana.

Chapter 4 was co-authored with Christopher Marquis.



## **CHAPTER 1.**

### **INTRODUCTION AND OVERVIEW**

The mechanisms connecting business organizations with social welfare concerns have long been of deep interest to scholars of organizations. Organization theory drew its intellectual inspiration from two fields – administrative theory, which focused on how internal structures and operations of organizations influenced organizational effectiveness, and the field of “social organization”, a primarily sociological approach that viewed understanding organizations as essential to the broader goal of understanding society and the determinants of social well-being (Stern and Barley, 1996). Early works drew explicitly on these dual traditions as a mark of the field’s distinctiveness (Hunter, 1953; Mills, 1956; Parsons, 1956; Presthus, 1962; Ratcliff, Gallagher, & Ratcliff, 1979; Selznick, 1947). Since these early forays, however, organization theory has become increasingly balkanized in its study of private organizations. One tribe based largely in business schools focuses on business organizations, with a focus on how they pursue and achieve traditional administrative theory interests of economic efficiency and profit. A smaller community of scholars studies traditional charities, grounded in a logic of voluntarism, that pursue other public and social goals. This specialization in the academic study of organizations should perhaps not be surprising in light of broader institutional boundaries that segregate business and charity organizations in areas such as legal status, education and socialization of professionals, governance, tax treatment, and access to public and private sources of capital (Hansmann, 1987).

In recent decades, however, this basic division has been challenged by the changing behaviors of both new and mature organizations. Business strategies that explicitly address social goals, whether to achieve business outcomes or to fulfill normative corporate responsibilities, are

increasingly common (Campbell, 2007; Carroll, 1999; Marquis, Glynn, and Davis, 2007). Among charities, scarcity of private philanthropic resources has led shifts toward commercialization and participation in product and service markets (Dees, 1998; Weisbrod, 2000; Young and Salamon, 2002). Finally, a growing class of hybrid organizations addresses social problems by combining aspects of both charitable and business forms in ways that are core and central to their strategies and identities (Battilana and Dorado, 2010; Canales, 2013; Jay, 2013; Pache and Santos, 2013).

While research has yielded significant insights into each of these phenomena, a number of important questions remain unanswered. First, while research on hybrid organizations has surfaced organizational mechanisms unique to hybrids, work to date has generally stopped short of connecting these mechanisms to basic organizational outcomes. Most empirical research on hybrid organizations has focused on highlighting mechanisms – mostly threats to organizational viability – that hybrid organizations will experience related to their incorporation of differently-socialized organizational members (Glynn, 2000; Battilana and Dorado, 2010) and multiple external constituencies (Jay, 2013; Pache and Santos, 2012). To date, however, little is known about the extent to which organizational experiences of these challenges are pervasive, or limited, nor is much known about the antecedents of organizational hybridity. While scholars have theorized potential benefits of hybridity for innovation (Stark, 2009), relatively little is known about how such organizations are created and sustained.

Second, while research on corporate social responsibility explicitly acknowledges the relationship between business activity and social welfare concerns, it tends to frame this influence as taking place through business outputs, and specifically how these outputs may be managed as strategic goals. Yet treating influence as society as an instrumental strategy on the

part of business organizations addresses only a narrow notion of the linkage between business and society, which is potentially much broader. As others have argued, the effects of business on social welfare cannot be treated as independent, but rather must be considered as one key element in the set of broader social processes that produces public goods (Perrow, 1991). Following this line of thinking, a more complete integration of corporate behavior and the traditional concerns of social organization is an important gap in the organizational literature (Hinings and Greenwood, 2002; Starbuck, 2003; Barley, 2010), and has even been referred to as organization theory's "neglected mandate" (Stern and Barley, 1996).

The three empirical chapters in this dissertation attempt to address these questions. Chapters 2 and 3 address related questions in the contemporary setting of hybrid social ventures, new organizations pursuing social goals that combine aspects of business and charity. Chapter 2, co-authored with Julie Battilana, explores the antecedents of hybridity in organizations by investigating how individual entrepreneurs' personal and professional experiences shape the organizations they create, and how such processes might lead to the creation of new, hybrid organizations. I propose that individuals can also serve as vehicles for the importation of organizational forms into socially distant populations of organizations, resulting in new hybrid organizations that combine aspects of multiple forms. I theorize about how multiple imprinting – experience with varied organizational forms – shapes such combinations, drawing on theories of social learning to predict different effects depending on whether these multiple imprints are indirect, acquired vicariously through a founder's parents' work experience, or direct, acquired through a founder's own personal work experience. I test this theory in the context of social ventures, in which founders all enact the charity form in their ventures, but vary in the extent to which they also adopt aspects of the business form, thus creating a hybrid. I find evidence that

imprinting with the business form, regardless of whether it was indirect or direct, has a positive influence on social venture founders' likelihood to adopt aspects of the business form in their venture, thereby creating a hybrid. Second, I find that when multiple imprints are present, their cumulative effect varies depending on whether they were direct or indirect. Multiple, direct imprints of the business and charity forms appear to enable simultaneous adoption of these two forms, while multiple, indirect imprints appear to "crowd out" one another, inhibiting simultaneous adoption of these two forms. These findings provide new insights into the variety of imprinting mechanisms that contribute to the creation of hybrid organizations and the commercialization of the social sector.

In Chapter 3, I shift focus to examining two central questions about hybrid social ventures. First, what is the impact of incorporating aspects of business on their viability? Second, under what conditions can hybrid social ventures that incorporate aspects of business successfully navigate the tensions between business and charity? Whereas such hybrid social ventures might gain access to new resources, institutional theories predict tensions in both how these ventures are evaluated and function internally. Consistent with these institutional explanations, I find that hybrid social ventures that incorporate aspects of the business form to be *less* successful at achieving key entrepreneurial milestones during a one-year period, such as the acquisition of external capital, legal incorporation, and delivery of an initial product or service. I further show that these penalties can be partially avoided by pursuing practice integration, which refers to the extent to which the same practices simultaneously advance both commercial and charitable goals, and therefore, fulfill the expectations associated with the multiple forms they combine.

Chapter 4, co-authored with Christopher Marquis, considers how the presence of large corporations influences community social capital, and thereby, the capacity of communities to address community-level social welfare concerns. I develop a model of how large corporations affect organized community philanthropy 1) through direct engagement in community philanthropy, and 2) by reshaping community social capital, defined as the relationships among community members that facilitate social support and maintenance of social welfare. An analysis of United Way contributions in 117 U.S. cities over the 50 years from 1948 to 1997 generally supports this model. I find that the presence of corporations strengthens the effects of bonding social capital among elites but weakens similar effects among the working class, while also limiting the capacity of these two class-based groups to engage together in collective philanthropic action. These findings contribute to a novel view of corporate social responsibility that is based on how organizational and class-based relationships interact with the community social capital in which they are embedded.

The chapters in this dissertation each seek to explain an organizational phenomenon at the nexus of business and society. In doing so, each utilizes novel data in order to address previously unexplored empirical and theoretical questions. Chapters 2 and 3 on hybrid social ventures offer new analysis of an emergent organizational phenomenon, still in progress. Chapter 4 contributes insights about the relationship between corporations and the social capital of their communities that are made visible only through the lens of retrospective analysis. Taken together, these chapters illustrate the range of important, and sometimes unexpected, mechanisms through which organizations experience, precipitate and resolve tensions between business and social welfare concerns.

## **CHAPTER 2.**

### **HOW THE ZEBRA GOT ITS STRIPES: MULTIPLE IMPRINTING OF ENTREPRENEURS AND HYBRID SOCIAL VENTURES**

How do the prior organizational experiences of entrepreneurs shape the new organizations they create? In the highly uncertain context of entrepreneurship, individuals rely heavily on knowledge they have acquired through prior experience (McMullen & Shepherd, 2006). Organizational scholarship has accordingly investigated how entrepreneurs become imprinted by aspects of their prior experiences in organizations, and then later re-enact those imprints in their new ventures (Higgins, 2005, Kacperczyk, 2009; Shane, 2000). In this way, entrepreneurs reproduce aspects of the organizational forms to which they have been exposed, where organizational forms are defined as socially meaningful instructions for building organizations and conducting collective action in organizations (Greenwood & Hinings, 1993; Hannan & Freeman, 1986; Pólos, Hannan, & Carroll, 2002). Imprinting research thus explains the role of individuals, and entrepreneurs in particular, as “carriers” of organizational forms that enable the persistence of forms over time (Marquis and Tilcsik, 2013).

In this paper, we develop the idea that in addition to reproducing existing forms, imprinting of entrepreneurs may occasionally act as a mechanism by which existing forms are recast, resulting in new organizations that diverge from established forms. Recent research suggests that in organizational populations in which one form dominates, individual founders can serve as vehicles for the importation of other, socially distant organizational forms into the population, resulting in the creation of novel hybrids that combine aspects of multiple forms

(Powell & Sandholtz, 2012). We advance this idea by testing whether the occurrence of this type of hybrid innovation may be influenced by the presence of multiple imprints on entrepreneurs, as founders of such hybrids combine knowledge of the dominant, incumbent form with knowledge of the other, additional form being imported from outside. Interestingly, while most researchers studying entrepreneurial experience agree that entrepreneurs often have multiple, disparate experiences prior to starting their ventures (Boeker, 1988; Burton, Sørensen, & Beckman, 2002; Carroll & Mosakowski, 1987; Shane & Khurana, 2003), research to date has not addressed the effects of the imprints of multiple organizational forms on organizational innovation.

The setting for our study is entrepreneurs who launch social ventures, defined as new organizations that pursue a primary social mission (Sharir and Lerner, 2006). The dominant organizational form taken by social ventures is the traditional charity, which pursues its primary social mission through values and templates for organizing that reflect a logic of social welfare and voluntarism (Smith and Lipsky, 2009). Yet some social venture founders recast the traditional charity form by also adopting aspects of the business form, which pursues financial goals using incentives and markets, thereby creating hybrids that combine aspects of both the charity and business forms (Battilana and Dorado, 2010; Tracey et al., 2011; Pache and Santos, 2012). Within this context, we aim to predict how imprints acquired through a founder's past organizational experiences predict adoption of aspects of the business form in the social venture they create. We first examine the influence of single imprinting, estimating how imprints of the business form affect social venture entrepreneurs' propensity to adopt aspects of the business form. We then turn to the question of how multiple imprints affect adoption of the business form, by measuring the moderating effects of additional, charity imprints on the business imprint.

On multiple imprinting, existing theories offer mixed predictions for the consequences of multiple imprints by different organizational forms. A central idea in contemporary social theory is that multiple environments to which individuals have been exposed contribute to expanding their “cultural tool-kit” (Swidler, 1986), thereby enhancing their capacity to creatively incorporate socially-distant ideas in subsequent behaviors (Campbell, 1998; Douglas, 1986; Sewell, 1992). According to this perspective, founders imprinted by multiple forms should be more likely to combine these forms in the ventures they create. However, the tool-kit metaphor does not account for the possibility that the multiple organizational forms with which an individual is imprinted imply competing prescriptions for action (Weber, 2005; Greenwood et al., 2011). In such situations, imprints from multiple forms on the same entrepreneur would not be expected to facilitate the combination of those forms in a new venture, but rather to “crowd out” each other’s influence.

To address this theoretical tension, we incorporate insights from theories of social learning, which differentiate among distinct processes by which individuals may acquire and accumulate knowledge from their environments. Specifically, we introduce to the imprinting literature a distinction between direct imprints, acquired through personal, first-hand experience, and indirect imprints, acquired vicariously through interactions with others who have themselves been imprinted by their experience. Drawing on theories of experiential learning (Kolb, 1984) and vicarious learning (Bandura, 1977; Manz and Sims, 1981; Gioia & Manz, 1985), we argue that the ways in which direct imprints from multiple forms are acquired and reconciled by individuals should enable them to function as a toolkit, increasing the likelihood that the additional form will be adopted in subsequent entrepreneurship. By contrast, properties of indirect imprints, acquired vicariously, should lead to crowding out and thus reduce the



propensity of founders to incorporate aspects of the additional form. In short, we argue that among social venture founders, multiple direct imprinting with the business and charity forms should facilitate the creation of hybrid organizations (Haveman and Rao, 2006) that combine aspects of the business and charity forms (Galaskiewicz and Barringer, 2012), while multiple indirect imprinting should have the opposite effect.

We test our model using a novel quantitative database of 784 nascent social ventures and the life histories of their founders, collected from a combination of surveys and archival sources. We first examine the influence of imprints of the business form alone, predicting that both indirect business imprints (acquired through a founder's parent's work experience in for-profit organizations) and direct business imprints (acquired through the founder's own for-profit work experience) will have a positive influence on the degree to which aspects of the business form are adopted by the new social venture. We then explore the effects of multiple imprinting, by examining the moderating effect of additional, charity imprints. Based on our theorizing about distinctions between direct and indirect imprints, we hypothesize that multiple imprinting with the business and charity forms will result in greater adoption of the business form when these multiple imprints are acquired directly, through the entrepreneur's personal experience, but less adoption of the business form when they are acquired indirectly, through parental work experience. We find support for our hypotheses: imprints of the business form, both direct and indirect, increase incorporation of the business form in the new venture, but the collective influence of business and charity imprints together differs depending on whether the imprints are direct or indirect.

In understanding the factors by which organizational imprints influence the founders of social ventures to adopt aspects of the business form, and thereby to create a hybrid, our study

makes a number of contributions. We extend the growing literature on imprinting by differentiating between imprints acquired through direct, first-hand experience, and those acquired indirectly, through others, showing that these distinct processes of social learning can lead to radically different outcomes when multiple imprints are combined. Our study thus highlights the importance of direct, practical experience as a micro-institutional process by which individuals may combine socially-distant ideas and practices, which are essential for divergence from the status quo in institutionalized environments (Colyvas and Powell, 2008). As the particular type of divergent organizations we study combine aspects of the business and charity forms, our study also provides an account of the antecedents of hybrid organizations that combine aspects of these organizational forms, filling a gap in past research which has so far focused primarily on these organizations' internal functioning (Tracey, et al. 2011). Finally, our study contributes to research efforts that aim to understand the increased rationalization and commercialization of the social sector (Hwang and Powell, 2009), by documenting the role of individual founders in this broad societal trend.

### **Adoption of the business form by social ventures**

Organizational forms are socially-meaningful instructions for building organizations and conducting collective action in organizations (Greenwood & Hinings, 1993; Hannan & Freeman, 1986; Pólos, Hannan, & Carroll, 2002). Organizations of the same form are understood to share a general set of properties, and to mobilize essential resources through a common set of processes. Among social ventures, new organizations that deliberately pursue a social mission, the dominant organizational form is the charity form, which is distinguished from other organizations by the role of social mission as the primary motivation for organizational activities (Salamon & Anheier, 1997). In addition to pursuing a primary social mission, organizations that

fully adopt the charity form draw on a common set of resources that includes specialized providers of capital, such as charitable foundations, forms of incorporation, such as public charity status, and professionalized labor, mobilizing such resources through a logic of voluntarism (Smith & Lipsky, 2009). Based on these shared qualities, charities are commonly-recognized to constitute a “non-profit” sector or “third sector” distinct from business and government (DiMaggio & Anheier, 1990; Hall, 2006).

All social ventures enact a central aspect of the charity form by virtue of their primary social mission. However, some social ventures additionally adopt aspects of the business form (Battilana, Lee, Walker, & Dorsey, 2012). This form is centered on the primary goal of financial returns (Davis, 2009). The business form draws on specific resources, such as equity investment, legal forms of business incorporation, and professional labor, and induces organization among these resources through the use of financial incentives and markets (Fligstein, 2002). These shared properties together differentiate the business form from government, and non-business private organizations, such as charities. When they adopt aspects of the business form, social venture founders thus recast the charity form, by combining it with aspects of an organizational template that is relatively unfamiliar to organizations pursuing a primary social mission.

Differences among social ventures in the adoption of the business form are illustrated by the examples of the Centre for Vision in the Developing World (CVDW) and VisionSpring, both social ventures that aim to solve the social problem of poor eyesight in the developing world. The international development organization Centre for Vision in the Developing World (CVDW) is a traditional charity that does not adopt the business form. The organization conducts research on, and produces, innovative eyeglasses that can be calibrated by the user, circumventing the need for professional optometry services that are typically not available in the developing world.

These eyeglasses are distributed to individuals in developing countries and paid for by philanthropic donations. Consistent with the recognized template of the charity form, CVDW exclusively pursues social goals and uses volunteers, donors and other charitable resources, but does not distribute its products through markets or other commercial means.

Like CVDW, the organization VisionSpring also attempts to solve the problem of poor eyesight in developing countries. However, it also adopts aspects of the business form (Bhattacharyya et al., 2010; London & Christiansen, 2008). Rather than fund and distribute the eyeglasses through philanthropy alone, VisionSpring has built a network of local entrepreneurs in the developing world that market and sell the eyeglasses in their own communities, providing a living wage for the entrepreneurs while also funding the costs of development and production of the eyeglasses. Although it addresses the same problem as CVDW, it does so by engaging in a set of activities that combines aspects of the charity and business forms.

CVDW and VisionSpring are thus both social ventures, but demonstrate variation in the extent to which the business form is also adopted. In the following section, we develop hypotheses about how single, and multiple, imprinting processes influence adoption of aspects of the business form. In the context of social ventures, where adoption of the charity form is uniformly high, adoption of the business form is the source of variation in the extent to which the business and charity forms are combined. In the following section, we first explore the influence of imprints of the business form on social venture founders' adoption of the business form in their social ventures. We then turn to multiple imprinting, incorporating theories of social learning to hypothesize about how imprints of the charity form moderate imprints of the business form.

## **THE INFLUENCE OF ORGANIZATION IMPRINTS ON FOUNDERS OF SOCIAL VENTURES**

The concept of imprinting in organization theory originated at the organization level (Stinchcombe, 1965), but has in recent years been explored as a phenomenon affecting individuals in organizations (Higgins, 2005; Kacperczyk, 2009; Tilcsik, 2012). Taken at the level of the individual, imprinting accounts for the persistent and enduring effects that organizational environments have on the knowledge and dispositions of individuals, thus shaping their subsequent behaviors (for a review, see Marquis & Tilcsik, 2013). Research has shown that sustained exposure to an environment structures individual dispositions in ways that enable them to fit in that environment (Bourdieu & Wacquant 1992). As a result, individuals tend to re-enact the organizational templates and values that guided action in the working environments to which they were exposed in their prior organizational experience (Bourdieu, 1977; Emirbayer & Johnson, 2008). In other words, through imprinting, individuals become “carriers” of the organizational forms that were present in their past organizational environments.

Imprinting, however, does not strictly require direct experience in the originating organizational environment, and may instead take place through interaction with other individuals (Gioia and Manz, 1985). In such vicarious processes, knowledge and dispositions are transferred from proximal others who were socialized by the focal organizational environment. An organization may thus imprint an individual indirectly, through the “second-hand” impressions received by individuals from others with experience in the focal environment (Tilcsik, 2012). We refer to this form of imprinting as *indirect* imprinting. In contrast, when individuals are imprinted by a particular organizational form through personal, first-hand experience in the environment, we refer to this as *direct* imprinting.

## **Indirect Imprinting: The Influence of Parents' Work Experiences**

Knowledge of organizations can be acquired without working directly inside them, but through the experiences of others. Such indirect imprinting is common during childhood, a period during which individuals rarely work directly in organizations, but are nonetheless exposed to organizational forms vicariously. The social learning about organizations and work that occurs during these formative years arises primarily through relationships in which the child shares a deep emotional bond, especially with the child's parents (Berger & Luckmann, 1966). The family, and in particular the parents, operate as the child's initial reference group with respect to the social and organizational world; thus, the social roles and interactions observed in early childhood come to be seen as "normal" practices by which the child evaluates his or her own behaviors (Handel, Cahill, & Elkin, 2007). The parent's experience at work therefore holds particular importance in the development of their child's understanding of work and organizations (Barling, Dupre, & Hepburn, 1998). Deep, informal interactions take place in settings such as the family dinner table, where "family members talk about their experiences, and these are discussed, commented on, and evaluated... parents sometimes use the occasion as an instructional situation" (Handel et al., 2007: 138).

Although the specific settings and nature of the interactions between parents and children may vary, ample evidence supports the idea that children are indirectly imprinted by parents' work, leading them to adopt behaviors that reproduce aspects of the organization in which their parents worked. Individual values associated with a parent's work influence the parenting styles by which they raise their children (Kohn & Schooler, 1983; Kohn, Slomczynski, & Schoenbach, 1986). Through these interactions, as well as through the sharing of specific skills, children often become imprinted with inclinations toward work that are similar to the work of their parents

(Kohn et al., 1986; Miller & Swanson, 1958). Accordingly, we argue that the work experience of the parents of the founders of a social venture influences the type of social venture they will launch. Those whose parents had professional experience in the for-profit sector will have experienced greater indirect exposure to the business form during their formative years and are therefore more likely to have acquired its associated knowledge and dispositions. Therefore, we hypothesize that:

*Hypothesis 1: Social venture founders who were indirectly imprinted with the business form through a parent with for-profit work experience will adopt aspects of the business form in their social ventures to a greater degree than founders who were not indirectly imprinted with the business form.*

### **Direct Imprinting: The Influence of Personal Work Experiences**

Upon entering adulthood, the work environments into which individuals themselves enter subsequently shape their orientations and behavior. Through their direct organizational experiences, individuals come to internalize a set of norms regarding how the work is to be performed (DiRenzo, 1977; Van Maanen & E. H. Schein, 1979; Dokko et al., 2009), a process that Van Maanen and Schein (1979) describe as “the learning of a cultural perspective that can be brought to bear on both commonplace and unusual matters going on in the work place.” As individuals enter into new organizations, they learn the behaviors and values that are seen as legitimate in those organizations (DiRenzo, 1977).

Organizational environments thus directly imprint individuals in ways that influence their behavior at a later time, including after they leave the socializing organization (Kacperczyk, 2009; Roberts, Klepper & Hayward, 2011; Tilcsik, 2012). Past research has found that

organizational imprints acquired in this way may influence several dispositions related to entrepreneurship, including individuals' managerial style (Higgins, 2005), appetite for entrepreneurial risk-taking (Kacperczyk, 2009), and templates for applying knowledge (Azoulay, Liu, & Stuart, 2009). The imprinting mechanism is well-illustrated by Higgins' (2005) study of managers who were trained as junior managers at Baxter Pharmaceuticals, a fast-growing company that emphasized high levels of autonomy for early-career employees. Later, when these individuals created their own firms, they replicated the Baxter management philosophy to manage and coach their own employees. Imprinting also shapes potential entrepreneurs' attention to opportunities and information (Eckhardt & Shane, 2003; Shane, 2000; Burton, Sørensen & Beckman, 2002). For instance, in one study of a single 3-dimensional printing technology, Shane (2000) documented eight vastly different applications of the same basic technology. Each proposed venture drew directly on the unique templates and knowledge acquired in each founder's previous profession.

Building on this research, we propose that among entrepreneurs who create social ventures, those who have been imprinted with the business form through first-hand professional experience in for-profit organizations will adopt aspects of the business form in their social ventures to a greater degree.

*Hypothesis 2: Social venture founders who were directly imprinted with the business form through personal, for-profit work experience will adopt aspects of the business form in their social ventures to a greater degree than founders who were not directly imprinted with the business form.*

## **Multiple imprinting**



The experiences on which an individual entrepreneur relies to construct appropriate action are typically multiple and varied, as entrepreneurs frequently have multiple, varied organizational experiences prior to starting their ventures (Boeker, 1988; Burton, Sørensen, & Beckman, 2002; Carroll & Mosakowski, 1987; Shane & Khurana, 2003). Yet the joint effects of multiple, intersecting imprints remain relatively unstudied (Marquis & Tilcsik, 2013). Existing theories for how knowledge accumulates through individual experience provide divergent predictions for the behavioral consequences of such multiple imprinting. A stream of research in social theory suggests that multiple experiences function as a repertoire of accessible behaviors or scripts. This “toolkit” perspective suggests that cumulative experiences comprise an expanded repertoire for action, from which individuals may creatively select to construct actions appropriate to the present situation (Campbell, 1998; Lamont, 1992; Swidler, 1986). According to this perspective, founders may thus combine in their ventures aspects of the different organizational forms with which they have been imprinted. However, another stream of research has highlighted that in certain situations multiple imprints that are associated with different organizational forms might prove inconsistent, providing conflicting instructions for building a new organization and thereby “crowding out” one another’s influence (Weber, 2005; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011).

Taken together, these perspectives present a central tension in how multiple imprints are combined in individuals’ actions. On the one hand, the presence of imprints by multiple forms may enable founders to combine these in the organizations they create. On the other hand, they may be mutually constraining, and therefore inhibit simultaneous adoption. We argue that the combination of multiple imprints in a new social venture rests on the individual’s ability to integrate multiple, disparate behavioral schema into a coherent organizational model. Drawing

on theories of social learning, we hypothesize that the conditions under which multiple imprinting introduces complementary, or competitive, effects vary depending on whether the multiple imprints are experienced directly vs. indirectly. To develop these hypotheses, we draw on theory about two different types of social learning—vicarious and experiential—that are associated respectively with indirect and direct imprinting.

***Multiple indirect imprints.*** Indirect imprinting through parental work experience is a consequence of vicarious learning, in which observed behaviors become models for action (Bandura, 1977; Manz and Sims, 1981). Vicarious learning results in knowledge of cognitive schemas that are initially developed by the actor who has the direct experience in the imprinting environment, then transmitted to the vicarious learner either through implicit modeling, or explicit teaching behaviors (Gioia & Manz, 1985). In contrast to direct, experiential learning, in which individuals use the outcomes of their actions to update their prior knowledge and guide future action (Kolb, 1984), schema acquired through vicarious learning originate outside of the vicarious learner's own personal experience, and are therefore developed in parallel, not in interaction with their other schema. This separation, we argue, has significant implications for how multiple imprints are combined.

Indirect imprints are acquired vicariously, through the experience of the model, in this case the parent. As a result, at the time of acquisition, they are likely to have been largely filtered through the various narratives and rationalizations by which the parent made sense of that experience. The experiences related at the dinner table are not a full and objective accounting of the day's events, but selectively share events based on an impression that the model wishes to present, which tend to be more consistent than the actual experience (Leary, 1995).

Consequently, vicarious learners lack the detailed and potentially contradicting nuances of the

originating experience, and instead possess only a fairly basic set of “sanitized” rules to re-enact in subsequent behavior (Decker, 1980; Gioia and Manz, 1985). Indirect imprints of an organizational form thus result in relatively rationalized, rule-based representations of the associated forms.

Indirect imprints, such as those acquired by parents, thus provide rather rigid schema that reflect the rationalized experiences of others. We have argued that these indirect imprints will nonetheless have a main effect on behavior. However, we further argue that multiple indirect imprints will impede the combination of the corresponding forms in a new organization because they are likely to highlight mutual incompatibilities. We therefore expect that imprints between multiple, disparate forms are likely to result in crowding effects. In the context of social venture founding, vicarious learning of the business form through parental experience imprints individuals in a way that makes them more likely to adopt the business form. However, for the reasons described above, we predict that an additional indirect imprint of the charity form will weaken the effect of the indirect imprint of the business form.

*Hypothesis 3: Imprints of the charity form acquired indirectly will weaken, i.e. negatively moderate, the positive effects of indirect imprints of the business form on the degree to which social venture founders adopt aspects of the business form.*

### ***Multiple Direct imprints***

By contrast with indirect imprinting, we propose that the experiential nature of imprints acquired directly will enable their combination in subsequent ventures. We expect this for two reasons. First, as we have argued, direct experience involves deep exposure to the imprinting environment, resulting in the formation of knowledge that may not have been communicated in

the course of acquiring an indirect imprint. Certain knowledge may be intangible and not communicable through indirect processes, and therefore inherently experiential (Polanyi, 1962). Consequently, individuals who have been directly imprinted by multiple forms will have a greater repertoire of knowledge on which to draw.

Second, we argue that the nature of experiential learning causes individuals to contemporaneously question, and attempt to make sense of, how a current experience may be reconciled with prior experiences and associated beliefs (Kolb, 1984). The capability to successfully combine ideas associated with a particular set of disparate environments can be learned and developed with exposure to both environments, as individuals develop strategies for integrating them (Tadmor & Tetlock, 2006). In addition, as individuals move between different types of organizations, they develop a variety of “transition bridges” from one experience to another, such as identity narratives and transitional roles that function to “preserve a sense of continuity as one moves between roles” across organizations (Ashforth, 2000: 11). This transitional work is critical for them to preserve their personal integrity (Rothbard & Ramarajan, 2009; Ibarra, 1999). In other words, direct experience leads to the contemporaneous comparison and reconciliation of multiple forms, equipping the individual with increased capacity to combine these forms in the creation of a new venture.

For these reasons, when founding a social venture, entrepreneurs who have been directly imprinted with both the business and charity forms are likely to have developed the capacity to bridge these two forms. We therefore predict that in addition to the main effect of the business imprint, an additional charity imprint will better enable them to draw on their multiple experiences simultaneously in constructing new organizations. In summary, we argue that

multiple imprints, when acquired through direct experience, strengthen founders' propensity to adopt these forms simultaneously.

*Hypothesis 4: Imprints of the charity form acquired directly will strengthen, i.e. positively moderate, the positive effects of direct imprints of the business form on the degree to which social venture founders adopt aspects of the business form.*

## **METHODS**

### **Sample**

To construct our sample of social ventures, we began by contacting an organization that operates an annual fellowship competition for entrepreneurs launching social ventures. This fellowship-granting organization is among the most prominent funders of early-stage social ventures. Winners of the competition receive funding to pay the entrepreneur's living costs while he or she works on their venture. The rules of this fellowship competition stipulate that ventures must be in the idea phase or early-stage, not to exceed two years of operations, and that they must pursue "positive social change" without constraints on the activities or strategies of the venture; all applicants must furthermore confirm that their venture was their "original idea". Among similar programs that support the founders of early stage social ventures, the fellowship competition that provided this data has the least restrictive criteria for the types of individuals and ventures that may apply.

We developed our sample by contacting all applicants who applied to this fellowship in a two-year period in 2011 and 2012, irrespective of their success in the fellowship competition. The organizations in our sample are in a stage of nascent entrepreneurship, defined as serious activities that are intended to culminate in a viable startup (Aldrich & Martinez, 2001; Reynolds

& White, 1997). The stage of development of the entrepreneurs in our sample allows us to address oft-cited criticisms of entrepreneurship samples that contain survivorship bias (Katz & Gartner, 1988). For every applicant to the fellowship in two consecutive application cycles (2011 and 2012), we made contact by email shortly following their applications, and invited them to participate in a survey. Prior to the survey administration, we pre-tested the questions on other social venture founders who had applied in an earlier year to test for comprehension and correspondence to the underlying constructs, and altered the survey to improve comprehension. All applicants received a web-based survey instrument containing questions related to their personal backgrounds and to their social ventures. The response was 1,034 total entrepreneurs and their ventures, or 15 percent. This response rate is consistent with those of other published studies using a similar methodology and met our expectations for this research design, considering in particular the need for the direct involvement of the entrepreneur and the personal nature of the information provided (Alpar & Spitzer, 1989; Coviello & Jones, 2004).

Following the administration of the survey, we constructed archival data on the respondents from the original application materials related to topics such as gender, age, and geographic location, and matched these data to the survey responses. We also acquired descriptions of the ventures produced by each applicant to the fellowship. These descriptions were typically 1,000-1,500 words in length, and structured as responses to specific questions about topics that included the social mission of the venture, its most innovative characteristics, and intended sources of financial and other resources. In order to test for survey response bias in the types of projects proposed, we investigated the distribution of ventures by *program area*, a variable based on applicants' self-categorization into one of seven issue areas (including Arts and Culture, Civil and Human Rights, Economic Development, Education, Environment,

Health/Healthcare, Public Service) corresponding to the social issue they intended to address. To measure the goodness of fit on this variable between survey respondents and the full sample, we computed a Pearson chi-square statistic of 8.69, below the  $p = .05$  cut-off criterion of 12.59, suggesting that the distribution of project types among survey respondents did not differ significantly from the full population of applicants based on this categorization of project types. As an additional test for possible survey response bias in terms of applicant characteristics, we compared our sample of survey respondents to all applicants on age and gender and found only small differences (*sample means (age = 37.6, male = 0.58); population means (age = 35.7, male = 0.56)*).

We included for the purposes of our analysis only those applications from entrepreneurs whose ventures had already attained legal recognition by the government. Existence of the organization as a legal entity represents a minimal threshold for organizational initiation and thus offers a relatively conservative criterion for identifying ventures that have initiated meaningful organizational activity. While the vast majority of the applicants applied alone, some of them (less than 30% in our sample of survey respondents) applied in two-person partnership. Consultation with the fellowship-granting organization further indicated that in applications from two-person partnerships, the first partner was typically the dominant partner in formulating the venture, and so to be conservative, we discarded the 6% of responses received from individuals listed as the 2<sup>nd</sup> partners. Our resulting, final sample included 784 entrepreneurs and their social ventures.

As noted above, the fellowship competition solicited applications specifically from founders of social ventures that pursued a social mission. However, in order to validate that the ventures identified through this source were all actually social ventures pursuing a social mission

and therefore enacting the most distinguishing aspect of the charity form, we coded the project descriptions collected through their applications. Two independent coders coded project descriptions for a random sample of 40% of the applications in the first application cycle in order to identify who benefited from the activities of the venture. Together with our coding team, a list of beneficiary groups was developed, then refined based on the judgments of the coders (a full list of these beneficiary groups and frequencies is provided in **Appendix A**). All projects were separately coded by the two coders for the beneficiary groups served, allowing for a given venture to serve more than one beneficiary group, then compared and discussed when there was disagreement. The results indicate that every venture served at least one of the identified beneficiary groups, suggesting that our sample may reasonably be assumed to constitute a sample of social ventures.

### **Dependent Variable**

*Adoption of the business form.* The measure of the extent to which the social ventures in the sample adopted aspects of the business form was based on a composite of items measuring multiple dimensions on which the business form might be adopted. In order to develop these items, we followed the well-established idea that organizational forms – which we have defined as socially-meaningful instructions for building organizations and conducting collective action in organizations – can be characterized by two types of features: their shared traits, and shared patterns in the way they resources they access (Hannan & Freeman, 1986). The distinctive trait of the business form is the capture of financial value (Chandler, 1992; Davis, 2009). To capture the extent to which each venture expressed this trait, respondents were asked to what extent “my venture addresses an opportunity to make money.” Regarding shared patterns in resource mobilization, items were formulated describing five different categories of resource providers



with which the nascent venture engages, and which pilot tests indicated were meaningful to the entrepreneurs: funders, employees, partners, customers, and the entrepreneur himself or herself. A five-point, Likert-style item corresponding to the business form for each resource provider was then developed. Finally, a measure of the extent to which the social venture entrepreneurs in the sample adopted the business form was calculated as the unweighted sum of the six Likert-style items described above (See **Appendix B** for a full list of these items).

In order to verify that these items captured the underlying concept of the business form, additional checks were conducted at multiple stages of the research process. Prior to distributing the survey, a series of discussions with founders of social ventures and other experts were used to verify the alignment of these items with the underlying forms present in the environment. To ensure that the items would be meaningful to respondents, they were also piloted as part of a separate survey to several hundred more founders of more mature social ventures to ensure that the items were clear and corresponded to their underlying theoretical constructs. Factor analyses were also conducted to test whether the items captured the underlying form.<sup>1</sup> An exploratory factor analysis that followed the administration of the survey estimated the loadings of each of the six items on the business form. This produced, as expected, a factor with eigenvalues that exceeded one, the typical cutoff criterion (Gorsuch, 1997), and a high alpha ( $\alpha = .88$ ) that indicated an acceptable level of inter-item correlation (Nunnally, 1978). Exploratory factor analysis is a generally accepted method for inductively establishing the underlying qualities of factors and their relationship to multiple indicators. But because the survey items were developed

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<sup>1</sup> We developed for the factor analyses a matching set of items that corresponded to the charity form. On the survey instrument, respondents thus responded to twelve items that corresponded to organizational form, six associated with the business, and six with the charity, form (the items corresponding to the charity form are also contained in **Appendix B**). For the charity form,  $\alpha = .74$  indicating an acceptable level of inter-item correlation (Nunnally, 1978).

*ex ante* through the process previously described, an additional confirmatory factor analysis was performed to deductively test the correspondence of the survey items to the business form<sup>2</sup>, which also provides evidence for the validity of our construct.

## **Independent Variables**

***Indirect imprints.*** To measure the indirect business imprints received by social venture founders through the work experience of their parents, we asked entrepreneurs to report, for each of their parents, whether that parent had been employed in a for-profit organization. In cases that parents were not the respondent's primary caretakers, the question specified that respondents should answer regarding their primary caretakers instead. Accordingly, we measured parents' for-profit experience with a dummy variable that was coded as 1 for entrepreneurs who had at least one parent (or primary caretaker when applicable) who worked in the for-profit sector, and was coded as 0 otherwise. To measure indirect charity imprints, we followed the same procedure, substituting *non-profit* work experience in the survey items about parental work experience. We additionally tested the extent to which these imprints were acquired from the same parent, versus from two different parents, and report the results of analyses that differentiate these two mechanisms in robustness checks.

***Direct imprints.*** To measure the direct business imprints received by social venture founders through their own past work experience, we asked respondents to report their years of work experience in the category "worked in a for-profit organization". This is consistent with

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<sup>2</sup> Structural equation modeling (SEM) using the sem program in STATA was employed for this confirmatory factor analysis. Leaving the loadings on each indicator unconstrained resulted in an identical assignment of items to the two latent variables corresponding to the business and charity forms. The comparative fit index (Bentler & Bonett, 1980) and Tucker-Lewis index (Tucker & Lewis, 1973) were 0.918 and 0.898, respectively. Studies that employ SEM conventionally assess these two statistics using a cutoff of .90; although the TLI was slightly below that value, these statistics were interpreted jointly as sufficient to be considered a good fit.

past studies that have successfully used survey approaches to collect information on length of past employment (Astebro & Thompson, 2011). Accordingly, we measured tenure in the for-profit sector as the total number of years of work experience in this sector. To measure the direct charity imprint, we followed the same procedure, substituting the phrase “worked in a *non-profit* organization”. To test the validity of these measures, we constructed alternative measures of direct imprints in terms of binary variables, and report results of analyses using these variables in robustness checks reported later.

### **Control variables**

Past research has indicated that *age* is a strong predictor of entrepreneurial behavior, due to differences in entrepreneurs’ expectations for how many future productive years they will be able to work on the ventures (Parker, 2004). Because the prominence of social enterprise has changed substantially during the lifetimes of the entrepreneurs in our sample, the inclusion of age also provides a control for generational effects related to the cultural acceptance of these ideas. Research also suggests that gender may explain some variation in the likelihood of individuals to organize by adopting the business form, and so we controlled for *gender (male)*, a binary variable set equal to 1 if the founder was male and 0 otherwise. In particular, business management is often culturally viewed as a naturally male activity, independent of individuals’ objective competencies (Schein, 2001). Although research identifies a gradual redefinition of gender schema over time with respect to work and family demands, prevailing schema of gender and work still prescribe that females work in the home and in work roles that are relatively less oriented to the defining characteristics of business (Haveman & Beresford, 2012).

In addition, an individual's level of prior education has been linked to a variety of entrepreneurial outcomes (Davidsson & Honig, 2003; Van der Sluis, Van Praag, & Vijverberg, 2008). For this reason, we used data from the founders' fellowship applications to create indicator variables corresponding to their highest level of *education* in six categories (Some Primary or Secondary School, Secondary School Graduate, Some College, Associate's Degree, Bachelor's Degree, Graduate Degree). To control for inter-sectoral variation in the extent to which hybrid models are legitimate, we created indicator variables based on the entrepreneur's self-categorization into one of 7 *program areas* (including *Arts and Culture*, *Civil and Human Rights*, *Economic Development*, *Education*, *Environment*, *Health/Healthcare*, and *Public Service*) corresponding to the social issue they intended to address. Finally, because our sample was drawn from data collected in two different application cycles, one year apart, we included an indicator variable called *Applied in 2011* to control for any possible temporal differences between these two groups. The variables on education, program area, and year of application were all collected from the entrepreneurs' archived fellowship applications.

Although the ventures in our sample already meet relatively narrow criteria to validate their nascent stage of development, we also attempted to control for any systematic changes that may have occurred between the earliest instance of opportunity identification and the administration of our survey. We addressed such differences by controlling for the number of *key milestones completed*. To identify relevant milestones, we draw on Ruef's (2005) process theory of organizational founding, which identifies five key conceptual stages: initiation, resource mobilization, legal establishment, social organization, and operational startup. To proxy for these conceptual stages, we asked survey respondents to report whether they had reached several milestones: the full-time self-employment of the entrepreneur working on the venture,

receipt of funding, legal establishment, hiring of an employee, and initial delivery of product or services. Our control for milestones completed was then calculated as the count of these milestones the entrepreneur reported having already reached. Since all of the ventures in our sample had reached the stage of legal establishment, this variable had a minimum value of 1 and a maximum value of 5. For example, a founder who was full-time employed on the venture, had received external funding, and had legally registered the venture, but had not hired an employee nor delivered any products or services was assigned a value of 3 for this variable.

## **Analyses**

We considered a number of statistical models to test our hypothesis. Due to the limited range of our dependent variable, we analyzed our hypotheses using Tobit models, with *adoption of business form* as the dependent variable. Findings with respect to our hypotheses, however, were the same when running the same models using OLS. We included in each of our models indicator variables for the country location of each venture in order to control for unobserved heterogeneity associated with different geographies. For each of our models, we calculated robust standard errors and used these to calculate significance levels. Examination of the residuals and the Breusch-Pagan chi-square statistic ( $X^2 = 2.06$ ,  $p = 0.15$  for the fully specified model) suggested that we can reasonably assume our independent variables to be homoskedastic. The majority of our independent variables are not correlated with each other or with our controls (see Table 2.1), suggesting that multicollinearity is unlikely. To confirm this, we calculated regression diagnostics and found that the Variance Inflation Factor for all of the independent variables in our models was less than 10, the recommended maximum threshold (Gujarati, 2003).

## **RESULTS**

Table 2.1 presents the correlations and descriptive statistics for our variables and Table 2.2 presents the results of analyses testing our hypotheses. In Table 2.2, Model 1 estimates the baseline coefficients of our control variables. Models 2 and 3 estimate the effect of indirect imprinting, measured as parental for-profit work experience and parental non-profit work experience, respectively. Model 4 estimates the interaction of these two indirect imprints. Model 5 and 6 respectively estimate the effects of direct imprinting, measured as the entrepreneur's own for-profit work experience and non-profit experience. Model 7 estimates the effect of multiple direct imprinting. Model 8 is a full specification including all of the aforementioned variables.

**Table 2.1: Correlations and descriptive statistics**

Variable	Mean	Std. Dev.	Min	Max
(1) Adoption of the business form	16.0	6.6	6	30
(2) Parent's for-profit work experience	0.56	0.50	0	1
(3) Parent's non-profit work experience	0.25	0.43	0	1
(4) Own for-profit work experience	6.5	8.2	0	43
(5) Own non-profit work experience	5.3	6.1	0	30
(6) Age	37.7	10.9	18	72
(7) Gender	0.61	0.49	0	1
(8) Milestones reached	3.5	1.2	1	5
(9) Applied in 2011	0.5	0.5	0	1
(10) Highest education = Some secondary school	0.01	0.11	0	1
(11) Highest education = Secondary school	0.02	0.12	0	1
(12) Highest education = Some college	0.13	0.33	0	1
(13) Highest education = Associate's degree	0.03	0.18	0	1
(14) Highest education = Bachelor's degree	0.32	0.47	0	1
(15) Highest education = Graduate degree	0.49	0.50	0	1
(16) Program area = Arts and Culture	0.04	0.19	0	1
(17) Program area = Civil and Human Rights	0.08	0.28	0	1
(18) Program area = Economic Development	0.31	0.46	0	1
(19) Program area = Education	0.26	0.44	0	1
(20) Program area = Environment	0.11	0.31	0	1
(21) Program area = Health/Healthcare	0.07	0.26	0	1
(22) Program area = Public service	0.13	0.34	0	1

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	
(1) Adoption of the business form	1.00																						
(2) Parent's for-profit work experience	0.14	1.00																					
(3) Parent's non-profit work experience	0.04	0.02	1.00																				
(4) Own for-profit work experience	0.11	0.20	-0.02	1.00																			
(5) Own non-profit work experience	-0.08	-0.07	0.05	-0.01	1.00																		
(6) Age	-0.04	-0.07	-0.07	0.46	0.36	1.00																	
(7) Gender	0.06	-0.15	-0.01	-0.10	-0.08	-0.08	1.00																
(8) Milestones reached	0.01	0.01	0.07	0.00	-0.01	-0.01	-0.02	1.00															
(9) Applied in 2011	0.02	0.03	-0.05	-0.04	0.02	-0.05	-0.10	0.15	1.00														
(10) Highest education = Some secondary school	-0.06	-0.04	0.01	0.03	-0.01	0.02	0.07	-0.06	0.00	1.00													
(11) Highest education = Secondary school	-0.04	-0.06	-0.05	0.00	-0.02	-0.04	0.01	0.04	-0.02	-0.01	1.00												
(12) Highest education = Some college	-0.06	-0.01	-0.05	0.05	0.00	0.01	0.05	0.00	0.06	-0.04	-0.05	1.00											
(13) Highest education = Associate's degree	0.00	-0.08	0.04	0.03	-0.01	0.03	0.00	-0.01	0.02	-0.02	-0.02	-0.07	1.00										
(14) Highest education = Bachelor's degree	-0.01	-0.03	0.05	-0.03	-0.05	-0.15	0.04	-0.01	-0.08	-0.08	-0.09	-0.26	-0.13	1.00									
(15) Highest education = Graduate degree	0.07	0.08	-0.02	-0.02	0.06	0.13	-0.09	0.02	0.03	-0.11	-0.12	-0.37	-0.18	-0.68	1.00								
(16) Program area = Arts and Culture	-0.03	0.08	-0.07	0.04	0.00	-0.02	-0.01	-0.02	0.00	-0.02	-0.02	0.03	-0.04	0.05	-0.04	1.00							
(17) Program area = Civil and Human Rights	-0.18	0.02	0.02	-0.06	0.03	-0.02	-0.05	0.04	0.06	0.05	0.08	0.00	-0.06	-0.07	0.06	-0.06	1.00						
(18) Program area = Economic Development	0.17	-0.08	0.00	-0.02	0.00	0.05	0.03	-0.01	-0.09	0.00	-0.02	-0.09	0.06	0.02	0.03	-0.13	-0.20	1.00					
(19) Program area = Education	-0.10	0.03	0.03	0.02	-0.03	-0.01	-0.02	-0.05	-0.12	-0.04	-0.03	0.03	0.04	-0.03	0.00	-0.11	-0.18	-0.39	1.00				
(20) Program area = Environment	0.15	-0.02	0.01	0.00	-0.03	-0.01	0.06	0.06	0.03	0.00	-0.04	-0.01	0.00	0.01	0.00	-0.07	-0.10	-0.24	-0.20	1.00			
(21) Program area = Health/Healthcare	-0.02	0.02	-0.03	0.00	-0.01	0.01	0.01	0.02	0.07	-0.03	0.01	-0.01	-0.05	0.00	0.03	-0.05	-0.08	-0.19	-0.16	-0.10	1.00		
(22) Program area = Public service	-0.06	0.02	0.01	0.04	0.04	-0.03	-0.04	-0.02	0.15	0.06	0.04	0.09	-0.03	0.02	-0.09	-0.08	-0.12	-0.27	-0.23	-0.14	-0.11	1.00	





The results of our analyses reported in Table 2.2 supported each of our hypotheses. Beginning with business imprinting, Model 2 estimates a positive and significant coefficient on parental for-profit work experience, providing support for Hypothesis 1, which states that the degree to which the business form is adopted in a social venture increases when a parent of the founder has had for-profit work experience. Model 5 finds a similarly positive effect of the founder's own for-profit work experience on adoption of the business form, supporting Hypothesis 2. Moving to the moderating effects of an additional charity imprint, Model 4 estimates that for indirect imprinting, the additional, charity imprint negatively moderates the main effect described in Hypothesis 1, thus supporting Hypothesis 3. Model 7 estimates that for direct imprinting, the additional, charity imprint positively moderates the main effect described in Hypothesis 2, thus supporting Hypothesis 4.



**Table 2.2: Models predicting adoption of the business form as an outcome of imprinting**

Models predicting adoption of the business form (Tobit models)								
	1	2	3	4	5	6	7	8
Parent's for-profit work experience		1.215*	1.236*	1.824**				1.675**
		(0.595)	(0.593)	(0.664)				(0.663)
Parent's non-profit work experience			0.521	1.783*				1.943*
			(0.614)	(0.967)				(0.970)
Parent's for-profit work experience X Parent's non-profit work experience				-2.152*				-2.328*
				(1.254)				(1.248)
Own for-profit work experience (in years)					0.130**	0.123**	0.0795*	0.0641+
						(0.0367)	(0.0472)	(0.0474)
Own non-profit work experience (in years)						-0.0388	-0.0974*	-0.108*
						(0.0417)	(0.0555)	(0.0556)
Own for-profit work experience X own non-profit work experience							0.00677*	0.00793*
							(0.00395)	(0.00392)
Age	-0.064**	-0.0574*	-0.0558+	-0.0537+	-0.108**	-0.0973**	-0.0913**	-0.078**
	(0.0238)	(0.0240)	(0.0241)	(0.0241)	(0.0266)	(0.0289)	(0.0293)	(0.0298)
Gender (male)	1.304*	1.37*	1.372*	1.446**	1.34*	1.315*	1.275*	1.403**
	(0.534)	(0.534)	(0.535)	(0.533)	(0.528)	(0.527)	(0.529)	(0.528)
Milestones reached	-0.0189	-0.0436	-0.0626	-0.0766	-0.0567	-0.0563	-0.0467	-0.0996
	(0.214)	(0.213)	(0.213)	(0.213)	(0.212)	(0.211)	(0.211)	(0.209)
Applied in 2011	0.668	0.608	0.626	0.596	0.717	0.718	0.703	0.636
	(0.535)	(0.535)	(0.536)	(0.536)	(0.533)	(0.532)	(0.530)	(0.532)
Highest education = Secondary school	3.698	3.787	3.735	3.718	3.915	3.920	3.932	3.919
	(3.016)	(3.058)	(3.043)	(2.986)	(3.186)	(3.176)	(3.132)	(3.064)
Highest education = Some college	2.688	2.741	2.752	2.602	3.071	3.099	3.107	2.979
	(2.542)	(2.617)	(2.601)	(2.531)	(2.742)	(2.732)	(2.694)	(2.633)
Highest education = Associate's degree	3.545	3.573	3.594	3.494	4.148	4.170	4.170	4.071
	(2.541)	(2.612)	(2.595)	(2.520)	(2.746)	(2.736)	(2.697)	(2.627)
Highest education = Bachelor's degree	2.897	3.270	3.370	3.315	2.984	2.966	2.913	3.262
	(3.332)	(3.364)	(3.332)	(3.238)	(3.423)	(3.417)	(3.346)	(3.225)
Highest education = Graduate degree	2.565	2.498	2.544	2.443	2.767	2.799	2.756	2.621
	(2.549)	(2.613)	(2.596)	(2.527)	(2.743)	(2.734)	(2.692)	(2.624)
Program area = Arts and Culture	0.0655	-0.0141	0.0916	0.0716	0.0394	0.0384	0.156	0.206
	(1.610)	(1.612)	(1.619)	(1.609)	(1.680)	(1.698)	(1.679)	(1.669)
Program area = Civil and Human Rights	-2.572+	-2.693*	-2.717*	-2.725*	-2.309+	-2.343+	-2.362+	-2.518+
	(1.122)	(1.124)	(1.123)	(1.112)	(1.100)	(1.099)	(1.098)	(1.089)
Program area = Economic Development	3.721**	3.739**	3.75**	3.793**	3.825**	3.786**	3.761**	3.823**
	(0.851)	(0.854)	(0.854)	(0.852)	(0.846)	(0.849)	(0.848)	(0.849)
Program area = Education	-0.499	-0.413	-0.406	-0.427	-0.298	-0.348	-0.379	-0.341
	(0.868)	(0.868)	(0.867)	(0.866)	(0.860)	(0.867)	(0.865)	(0.864)
Program area = Environment	4.468**	4.494**	4.498**	4.468**	4.574**	4.533**	4.422**	4.389**
	(0.993)	(0.993)	(0.995)	(0.990)	(0.987)	(0.986)	(0.988)	(0.985)
Program area = Health/Healthcare	0.219	0.191	0.226	0.199	0.323	0.284	0.313	0.294
	(1.117)	(1.112)	(1.107)	(1.100)	(1.077)	(1.076)	(1.077)	(1.063)
Constant	6.341+	5.93+	5.913+	5.831	7.022+	6.991+	7.248+	6.801+
	(3.512)	(3.589)	(3.576)	(3.512)	(3.643)	(3.633)	(3.581)	(3.553)
Pseudo R-squared	0.0431	0.0440	0.0443	0.0450	0.0458	0.0460	0.0466	0.0483

N = 784  
 All models include unreported fixed effects on the country location of the venture  
 Robust standard errors in parentheses  
 Reference category for program area is "Public Service"; reference category for education is "Some secondary school"  
 Significance levels (one-tailed for hypothesized variables; two-tailed for controls): \*\*p < 0.01, \*p < 0.05, +p < 0.1

Regarding the control variables, as expected, men were more likely than women to adopt the business form in their venture, thereby creating a hybrid social venture. The results furthermore suggest some significant differences in the likelihood of founding a hybrid between program areas: economic development and environment were areas in which social ventures adopted the business form to a greater degree. The overrepresentation of hybrid ventures in these categories suggests the possible existence of field-level differences that influence the combination of charity and business forms, a topic we return to in the discussion.

### **Robustness checks and supplementary analyses**

We conducted a set of supplementary empirical analyses to explore the robustness of the regression results to test the boundary conditions of the results we have presented above. First, we recognize that the entrepreneur's current resource environment, including the financial resources under his or her control, also plays a significant role in the nature of the opportunities he or she may recognize or pursue (Shane, 2003). To test whether financial resources were confounding, we ran supplementary regressions that included the founder's current family income using the same setup as our main models, and found that the coefficient on this variable was not significant. We did not include this as a control in the main model due to significant missing data, but our secondary tests suggest that personal financial resources did not account for significant omitted variable bias.

Regarding the choice of our independent variables, we ran supplementary regressions that replaced our continuous measure of direct imprinting as the number of years working with binary variables, which we coded as 1 for individuals with more than 2 years of work experience in a for-profit or non-profit, respectively, and 0 otherwise. Our hypotheses were supported using

these models. We additionally conducted robustness checks of the “cross-imprinting” effects between direct and indirect imprints, i.e. direct business with indirect charity, and indirect business with direct charity, again using binary measures of direct imprinting. Combining two types of imprints (direct and indirect) with two forms (business and charity) produced four combinations. Of these, only one produced a significant effect: for individuals imprinted with the business form both indirectly and directly, the interaction of these two imprints on the adoption of the business form was positive and significant. This suggests that indirect and direct imprints of the same form may be mutually reinforcing and have complementary effects on the manifestation of those imprints in future behavior.

Finally, we tested the idea that the “crowding out” effect of multiple indirect imprints might vary depending on whether the individual through which the imprint was vicariously transferred had, themselves, received multiple direct imprints. Specifically, we wished to account for the possibility that if one parent had themselves experienced both business and charity imprints, then they might have reconciled these prior to transmitting them to the founder. To explore this idea, we generated two additional binary variables accounting for whether multiple indirect imprints were received from the same parent, or from two different parents. The results suggest that indeed, the “crowding out” effect of indirect imprints occurs appears to be present only when the two indirect imprints were received from two different parents. By contrast, when multiple, indirect imprints came from the same parent, there was no effect on their interaction.

## **Discussion**

In this study, we explored how imprints of organizational forms on the founders of social ventures shape the degree to which they adopt aspects of the business form in their ventures,

thereby diverging from the dominant pure charity form in the social sector. More specifically, we developed and tested a model that accounts for the role of multiple imprinting in this process. Our findings first revealed that both direct business imprints – acquired through the founder’s own for-profit work experience--and indirect business imprints – acquired through a founder’s parent’s work experience in for-profit organizations – have a positive influence on the degree to which a social venture founder adopts the business form in the new venture.

After examining the effects of business imprints alone, we turned our attention to how adoption of the business form might also be influenced by the presence of competing charity imprints. Our results suggest that such multiple imprinting with both the business and charity forms has a radically different effect on adoption of the business form, depending on whether these multiple imprints are experienced indirectly, through parental work experience, or directly, through the entrepreneur’s own personal work experience. We found that when the business and charity imprints were acquired directly through personal work experience, the charity imprint strengthened the effect of the business imprint, thereby facilitating the adoption of aspects of the business form to a greater degree in the social venture. In contrast, we found that when the business and charity imprints were acquired indirectly through parents’ work experience, the charity imprint weakened the effects of the business imprint.

## **Contributions**

Our study contributes to the growing literature on imprinting by examining the influence of single, and multiple imprints on founders’ propensity to adopt aspects of a socially-distant organizational form (see, e.g., Marquis and Tilcsik, 2013). Studies of how organizations imprint individual founders typically focus on how individuals reproduce aspects of a single

organizational form in the ventures they create, but tend to overlook the typical situation in which founders have multiple, varied experiences prior to founding their ventures. Our work extends the imprinting perspective by mobilizing theories of social learning to explain differences between different types of imprints, and the consequences of these differences for how multiple imprints are combined. Echoing theories of experiential (Kolb, 1984) and vicarious (Bandura, 1977; Manz and Sims, 1981; Gioia & Manz, 1985) learning, our results support the idea that direct imprinting enables the combination of knowledge of multiple forms, thus increasing the likelihood that these forms will be combined in subsequent entrepreneurship. By contrast, the nature of indirect imprints acquired vicariously makes them relatively more difficult to combine. The imprinting and social learning literatures have so far evolved on mostly separate tracks, but bridging them in this context helps to fill an important theoretical gap related to the effects of multiple imprinting.

The results of our study also call attention to the importance of the individual level of analysis in explaining institutional innovation generally. Despite many recent calls for research accounting for the role of individual-level processes both in institutional change and maintenance (Powell & Colyvas, 2009; Battilana et al., 2009), very few institutional studies have accounted for how individuals' past experiences may function to maintain or disrupt social structures over time (Tilcsik, 2010). Previous research suggests that individuals' embeddedness in multiple institutional environments is an enabling condition for divergence as these individuals are able to transpose what they learned in one field to another and thereby innovate (Sewell, 1992; Djelic, 1998; Boxenbaum and Battilana, 2005). Yet, research must also explore how individual actors, who are mobile across established fields (Bidwell & Briscoe, 2010), receive and enact the social structures to which they are exposed (Bourdieu, 1977; Douglas, 1986). By incorporating insights

from theories of social learning, we differentiate between indirect and direct processes by which imprints are acquired, finding that while direct, multiple imprints facilitate such institutional innovations, indirect ones do not. In doing so, our study highlights the importance of the often neglected individual level of analysis in institutional innovation. Such a finding is germane to more general theories of how multiple experiences compete or otherwise accrue to behavioral repertoires (Campbell, 1986; Lamont, 1992; Swidler, 1986).

Our study also contributes to the emerging literature on hybrid organizations that combine aspects of distinct organizational forms (Haveman and Rao, 2006; Galaskiewicz and Barringer, 2012). Recent studies of hybrid organizations that combine aspects of the business and charity forms have identified these organizations as important loci of new form creation (Battilana and Dorado, 2010; Tracey et al., 2011; Pache and Santos, 2012). However, the antecedents of hybrid organizations raise a puzzle for organization theory, as their creation seems to run counter to the core proposition that organizations tend to copy well-defined organizational forms in order to be regarded as legitimate (Aldrich & Fiol, 1994). Prior theorizing has focused on field-level processes that lead to the founding of hybrid organizations (Haveman and Rao, 2006), but our study of imprinting in the founding of social ventures is among the first to illustrate how individual founders play an intermediating role, serving as vehicles for the importation of divergent practices (see also Powell and Sandholtz, 2012). Our approach thus follows recent developments in organization theory that emphasize not only pressures that lead to the persistence and diffusion of socially-accepted organizational arrangements, but situations in which these pressures come into conflict and are resolved (Greenwood et al., 2011; Thornton, Ocasio, & Lounsbury, 2012).



Finally, our study contributes to ongoing research efforts to understand the increased rationalization and commercialization of social sector (Hwang and Powell, 2009). The epitome of this trend has been the rise of social ventures that combine aspects of business and charity and are often referred to as social enterprises (Mair and Marti, 2006). Research in organizational theory has long investigated the functioning of organizations in the for-profit and the not-for-profit sectors, but has paid scant attention to hybrid social ventures that straddle the for-profit and not-for-profit categories (Galaskiewicz & Barringer, 2012). Recent studies have started examining how organizations can sustainably hybridize the business and charity forms (Battilana & Dorado, 2010; Pache & Santos, 2012; Jay, 2013). However, ours is, to our knowledge, the first empirical test of the influences that lead to the founding of hybrid social ventures and one of the largest empirical studies of social enterprises and their founders to date. In doing so, our study addresses repeated calls for deductive empirical research on social venturing and social entrepreneurs (P. Dacin, M. Dacin, & Matear 2010; M. Dacin, P. Dacin, & Tracey 2011; Short, Moss, & Lumpkin, 2009), with the hope that this may help to organize and advance our understanding of the growing population of organizations that explicitly pursue social change.

### **Limitations and future research directions**

Although the setting of our study is particularly interesting as it enables us to study a type of hybrid organization that is on the rise (Battilana et al., 2012; Haigh and Hoffman, 2012). However, certain characteristics of this setting require that our findings be interpreted with care. The domain of social ventures contains meaningful variations on the adoption of the business form but is uniformly high on adoption of the charity form, meaning that our findings regarding imprinting of the business form apply specifically to a population in which the charity form is nearly universal. Social ventures provide a relevant setting within which multiple, disparate

forms are combined but do not enable more general inferences about theoretical mechanisms leading to the founding of hybrids in entrepreneurial populations beyond social ventures. We believe that because the theories of imprinting and social learning that underlie our theorizing are not domain-specific, it is reasonable to believe that our findings related to imprinting will apply more broadly, including beyond the context of social ventures, but our empirical results should nonetheless be interpreted as conditional on the characteristics of our sample.

Second, we are aware of the possibility that indirect and direct imprinting may not be independent. Although indirect and direct imprints of the business form are positively correlated, our results still hold in the full specification of the models, suggesting that despite their correlation, each socialization experience still has significant independent effects on adoption of the business form in the social venture. We wish to make clear, however, that our models did not attempt to comprehensively map the path-dependent socialization process of any individual's life history, but had the more modest goal of identifying average effects of key imprinting experiences in an individual's history on the nature of the ventures they later create.

Future research may also examine other factors that may influence the emergence of hybrids. Such research could extend beyond the individual level to address the role of social influence. At the field level, the findings of our study hinted that social ventures created in certain industries were more likely overall to be hybrid. In our control variables, the two program areas where social ventures were significantly more likely to adopt the commercial form – economic development and the environment – roughly correspond to areas of activity in which markets already exist. Our findings would suggest that certain field-level factors may influence the extent to which the business form may be adopted in the social venture. Additional field-level factors such as the maturity of organizational fields, interactions with other fields, and the

precedent of prior hybridization all may influence the combination of forms and emergence of hybrid organizations, making this an important next step for this line of research (Chen & O'Mahony, 2006).

Another key area for future research is the performance of hybrid social ventures, and what material and institutional conditions are necessary for them to succeed. As hybrids that combine the charity and business forms become more prevalent, we would expect to observe the emergence of field-level structures that support and govern this activity. Research hints at the mechanisms by which such field-building might take place (Maguire, Hardy, & Lawrence, 2004; Tracey, Phillips, & Jarvis, 2011), but still little is understood about how the presence of multiple, potentially incompatible logics of action will affect this process. Finally, past research has found that one cause of the more general “rationalization” of the non-profit sector is the mobility of professionals from the business sector into established non-profit organizations, into which they import the business practices with which they are familiar (Hwang & Powell, 2009). However, research examining how commercial practices might become adopted by new social ventures remains nascent (Pache & Santos, 2012).

## **Conclusion**

Individual entrepreneurs are imprinted by experiences that span multiple organizational forms, with important implications for the ventures they create. In this study, we present evidence that one important outcome of imprinting is the creation of hybrid organizations that combine existing organizational forms. Our study contributes to a better understanding of hybrid organizations that combine aspects of multiple organizational forms, by linking organizational hybridity with micro-institutional processes of individual imprinting and social learning. Further

investigation of these mechanisms and the relationships between them will not only contribute to better understanding of the efforts of individual entrepreneurs and the ventures they create, but will also enrich multi-level theories of institutional innovation and change.

## Appendix 2.A: Coded beneficiary groups

Beneficiary group	Percentage of ventures	Beneficiary group	Percentage of ventures
Communities	47%	Racial and ethnic minorities	10%
Youth	39%	Men	7%
Poor	32%	Government	5%
Public	31%	Immigrants and refugees	4%
Children	23%	Elderly	3%
Families	23%	Health providers	3%
Women	23%	Incarcerated populations	3%
Students	19%	Homeless	2%
Farmers	13%	Alcohol and drug abusers	1%
Civil society	11%	Religious groups	1%
School	11%	Sexual minorities	1%
Disabled	10%	<i>Note: ventures could be coded as belonging to multiple groups</i>	

N = 906

## Appendix 2.B: Items Measuring Forms

*Items measuring “ends” (business form)*

1. “My venture addresses an opportunity to make money.”

*Items measuring “means” (business form)*

2. “I am personally working on my venture in order to make money.”
3. “Funders and/or investors provide financial capital to the venture in order to make money.”
4. “Employees and/or volunteers work for the venture in order to make money.”
5. “Customers and/or beneficiaries of the products or services that the venture creates are selected based on market forces.”
6. “Suppliers and other partner organizations (excluding funders/investors) work with the venture in order to make money.”

*Items measuring “ends” (charity form)*

7. “My venture addresses an opportunity to positively impact society.”

*Items measuring “means” (charity form)*

8. “I am personally working on my venture in order to positively impact society.”
9. “Funders and/or investors provide financial capital to the venture in order to positively impact society.”
10. “Employees and/or volunteers work for the venture in order to positively impact society.”
11. “Customers and/or beneficiaries of the products or services that the venture creates are selected based on likely social impact.”

12. “Suppliers and other partner organizations (excluding funders/investors) work with the venture in order to positively impact society.

## CHAPTER 3.

### MISSION AND MARKETS? THE VIABILITY OF HYBRID SOCIAL VENTURES

A classic dilemma that faces new organizations is how to balance innovation with institutional pressures to conform (Hannan & Freeman, 1977; Meyer & Rowan, 1977; Stinchcombe, 1965). This tension assumes an added dimension in the case of *hybrid entrepreneurship*, the creation of new ventures that recombine resources and organizational templates from multiple existing but socially distant organizational forms (Pache & Santos, 2012; Powell & Sandholtz, 2012). Potential benefits of hybridity include the capacity to assemble new combinations of resources, generate creative frictions, and flexibly respond to complex, dynamic environments (Jay, 2013; Smith & Lewis, 2011; Stark, 2009). However, hybrid ventures face pressures to conform to not one, but multiple, organizational forms, resulting in significant organizational tension and instability (Battilana & Dorado, 2010; Besharov & Smith, 2012). The question of whether and how hybrid ventures navigate these pressures – thereby enabling the benefits of hybridity between multiple forms – remains an important puzzle for organizational research.

Perhaps the most prominent contemporary example of hybrid entrepreneurship is the population of *hybrid social ventures* that combine aspects of business with charity. Social ventures, defined as new, private organizations that pursue a social mission (Sharir & Lerner, 2006), have long followed the organizing rules of the traditional *charity*, an organizational form premised on voluntarism that is agnostic to, or even actively eschews, commercial considerations (Smith & Lipsky, 2009). Recent years, however, have seen social ventures innovate by selling products and services (Young, 2009), seeking mainstream commercial funding, and hiring professionals trained in business (Hwang & Powell, 2009). Tens of thousands of such hybrid

social ventures have been founded worldwide (Lepoutre, Justo, Terjesen, & Bosma, 2013), attracting broad attention from policy-makers and public acclaim including a Nobel Prize. Their considerable success has fueled widespread belief that hybrid social ventures, and “social enterprise” broadly, will prove a more effective model than traditional charity for the pursuit of social goals.

The empirical results presented in this paper, however, suggest the opposite. Incorporating aspects of the business form was associated, in the nascent social ventures I studied, with *decreases* in viability relative to traditional charities, as measured by key milestones such as the acquisition of external capital, legal incorporation, and delivery of an initial product or service. The findings are consistent with the notion that the multiple, potentially incompatible conformity pressures that emanate from multiple social orders pose unique challenges to organizational functioning (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Pache & Santos, 2010). Although hybridity offers significant potential benefits, the presence of pressures to conform to both the business and charity forms appears to significantly and concretely jeopardize hybrid social ventures’ prospects for survival.

Given this finding, of further interest are the conditions under which new ventures might be able to successfully navigate these pressures, thereby avoiding the penalties of hybridity. I explore this question by looking within the organization, to theorize the relationship between ventures’ core business practices and multiple, external pressures to conform. Organizational practices are patterns of activity by which actors make sense of and reproduce a social order (Lounsbury, 2001; Schatzki, Cetina, & Von Savigny, 2001), and are “embedded in the routines organizations use to process people and things” (Swidler, 2001: 84). Consequently, practices are a key way by which an organization’s members and external audiences assess its correspondence



with existing, legitimate forms. Although researchers have documented processes by which institutional pressures engender the creation of new practices (Lounsbury & Crumley, 2007; Lounsbury, 2001), research has yet to explain how specific practices might be simultaneously seen as belonging to multiple forms, and thus shape the outcomes of hybrid ventures.

Synthesizing and building on these insights, I introduce the concept of *practice integration* – the extent to which the goals of each organizational form are achieved through common, rather than separate, practices – as an organizational feature that alters the way that hybrid organizations that combine forms experience, and are affected by, multiple pressures. Previous analyses of the distinctive challenges faced by hybrid organizations depicted a fixed-sum problem whereby conformity to one form could be achieved only by violating the other (Jay, 2013; Pache & Santos, 2012; Tracey, Phillips, & Jarvis, 2011). Integrated practices, in contrast, despite their multiple imperatives, are more likely to gain the approval of disparate audiences simultaneously, thereby enabling membership in multiple categories and providing a basis for internal consensus on behavior. Following this reasoning, I propose that practice integration should therefore be a key factor enabling hybrid social ventures to maintain consistency with multiple forms, and thus avoid potential challenges related to external categorization and internal tensions.

I tested these ideas empirically by examining differences in nascent social ventures' realization of key entrepreneurial outcomes during a one-year period. Hypotheses were tested on a cohort of 457 nascent social ventures that ranged from pure traditional charities to hybrids that had adopted many of the resources and organizational templates of the business form. Among hybrids, significant variation also existed in the extent to which their core business activities were integrated practices that simultaneously advanced their business and charitable goals.

Tracking their progress over the course of a year yielded a novel, longitudinal database, the first of its kind to be used in research on social ventures. This assemblage of data at multiple points in time facilitated analysis of how incorporating the business form and practice integration at an initial stage of development influenced each venture's subsequent success. I measure organizational viability in terms of a portfolio of organizational milestones considered vital to organizational viability including initiation, resource mobilization, acquisition of legal status, social organization, and operational startup (Reynolds & White, 1997; Ruef, 2005). A key benefit of this approach to measuring nascent entrepreneurial outcomes, relative to unitary measures such as survival, is to enable a broader, more fine-grained examination of outcomes, through separate and joint analysis of multiple milestones considered vital to the viability of new ventures.

This study contributes to organization theory by providing a model for how the multiple institutional pressures faced by hybrid ventures affect their ability to build viable organizations. Whereas previous research depicts hybrid organizations as facing pressures externally, the argument presented here links practice-level attributes to how organizations experience and negotiate multiple institutional demands. As one of the first large-scale empirical studies of hybrid social ventures, this study also contributes new, and perhaps surprising, empirical findings to emerging literatures on hybrid organizations and social enterprise. In examining the particular challenges faced by hybrid social ventures, it attempts to shed light on the unique conflicts and ambiguities inherent in hybrid forms.

### **Incorporating the business form and hybridity in social ventures**

The past twenty years has seen a confluence of macroeconomic, regulatory, and cultural trends in the environment for founding social ventures that has prompted greater incorporation of the business form. As reduced public funding for social services generated growing demand for private social programs that outpaced the availability of charitable funding, social ventures turned to commercial sources of revenue to fund their programs (Kerlin & Pollak, 2011; Young & Salamon, 2002). Incorporation of aspects of business in social ventures was further encouraged by the ascendancy of a pro-business zeitgeist in society (Dees, 1998a). At the level of the individual entrepreneur, increased management education (O'Neill & Fletcher, 1998) and cross-sector careers afforded social venture founders greater familiarity with and predisposition to the business form (Lee & Battilana, 2013; Suarez, 2010).

Hybrid social ventures have produced notable instances of organizational innovation (Dees, 1998b; Mort, Weerawardena, & Carnegie, 2003). By selectively adopting aspects of socially-distant forms, hybrids are positioned to create unique combinations of activities that are superior to existing arrangements may prove more viable than existing forms (Porter, 1996), through processes such as bricolage that combines the unique set of business and charitable resources at hand (Desa & Basu, 2013; Desa, 2012). Microfinance organizations, for instance, a new class of financial service organization aimed at empowering the poor, combine a social work approach with the business practice of lending (Battilana & Dorado, 2010). Another example, the work integration social enterprise, attempts to engage disenfranchised populations in productive work to help them achieve income stability and skills development that will enable them to find stable, long-term employment (Garrow & Hasenfeld, 2012; Pache & Santos, 2012). In developing countries, hybrid social ventures attempt to design and market products that serve the needs of the “bottom of the pyramid,” the billions of people whose needs are not otherwise met by conventional companies (Prahalad, 2009).

Such ventures incorporate goals of both business and charity, and rely on actors from both sectors for key resources.

The increasing prominence of hybrid social ventures has attracted considerable attention to the notion of combining business and charity, and draws ever greater numbers of entrepreneurs interested in achieving social goals to follow this template. Prize competitions, university centers, and media coverage are elevating awareness among policy-makers and the public (Nicholls, 2010). It is estimated that around two percent of adults in developing countries are actively involved in creating new hybrid social ventures (Lepoutre et al., 2013). In the United Kingdom, which boasts the most developed accounting of social enterprise activity, a recent study suggests that social enterprises account for six percent of all small and medium enterprises (Cabinet Office of the United Kingdom, 2013).

But although the level of activity in social ventures appears to be booming, social enterprise lacks the coherence of a mature organizational field. It has yet to develop a consistent set of common features and resources that would comprise a stable form, and, by virtue of its novelty, is subject to unique institutional challenges and uncertainties that arise from lack of legitimacy (Dart, 2004) and, more specifically, the presence of multiple institutional orders that shape its prospects for survival (Borzaga & Solari, 2001). The provisional hybrid social venture is consequently suspended in a “tenuous equilibrium” in which it pertains simultaneously to business and charitable forms, but fully belongs to neither (Young, 2012).

### **Liabilities of hybridity in social ventures**

Organizations that combine multiple forms, by definition, violate the boundaries of their constituent forms. “Segregating mechanisms” that enforce boundaries between forms pressure new

organizations to distinguish themselves in ways that exclude non-conforming behaviors (Hannan & Freeman, 1977). Proven forms attract resource niches that support them, disseminate norms and values through the sharing of employees and common resources, and promote shared interests through collective behavior as manifested, for example, in industry associations and lobbying. Over time, institutionalized forms assume a normative, legitimate quality, and organizations that exhibit a particular form are arbitrarily favored (Meyer & Scott, 1983). Hybrid ventures that attempt to adopt aspects of multiple forms, and thus enter *between* established forms, thus encounter an environment that demands simultaneous conformity to multiple forms. In the following sections, I argue that unique liabilities of hybridity will threaten the viability of such ventures.

#### *Financial resource acquisition*

Acquisition of external capital is a basic element of entrepreneurship, and arguably the discrete milestone most associated with the viability of new organizations (Casson, 1982; Shane, 2003). Businesses and charities turn to specific types of funders that emerge to serve their respective financing needs. For instance, among organizations that choose the non-profit form, gifts from individual philanthropists and foundations accounted for 87 percent of non-earned revenue in 2012 in the United States (Giving USA Foundation, 2013). By contrast, it is nearly unthinkable to imagine that a business organization would receive a philanthropic grant; instead, business organizations draw instead on an array of commercially oriented sources including venture capital, corporate investment, and other forms of equity financing. The business and traditional charity forms thus each have well-understood sources of funding, and established processes for acquiring it (Battilana, Lee, Walker, & Dorsey, 2012). Hybrid social ventures' position between these social domains leads to three types of challenges in raising external capital.

The first and most basic of these challenges is lack of cognitive legitimacy, often referred to as a general “liability of newness” (Stinchcombe, 1965). New ventures struggling to gain recognition, if they closely imitate well-established forms, are granted an arbitrary “taken-for-grantedness” by external audiences (Meyer & Scott, 1983). The struggle for legitimacy is thus most difficult for ventures that diverge from existing forms (Aldrich & Martinez, 2001; Carroll & Hannan, 1989). Recent advances in category theory have shown that a first step in evaluation is how evaluators allocate their limited attention, using categorical cues to certify subjects’ membership in their social domain (Zuckerman, 1999). Because they display only partially distinguishing features of the charity and business forms, while most of their institutional referents, including potential funders, remain embedded in one or the other of these domains, hybrids will tend to be neglected relative to organizations that fit within a well-understood social category.

The second challenge faced by hybrid ventures relates to the evaluation process, wherein their simultaneous imitation of the business and charitable forms results in the violation of symbolic boundaries (Galaskiewicz & Barringer, 2012). Ventures that have attracted the attention of potential funders must earn their positive evaluations. Evaluation schema vary significantly between forms, and non-conforming features are seen as undesirable (Negro, Koçak, & Hsu, 2010). Hybrid social ventures must thus signal membership in one category without eschewing membership in another (Hsu, Hannan, & Koçak, 2009). The potential funding sources of an information services company in Southeast Asia that employs street children, for example, were foundations that chafed at the enterprise’s commercial success, and conventional investors skeptical of its social mission (Chertok, Hamaoui, & Jamison, 2008; Smith, Leonard, & Epstein, 2007). Hybrid ventures that meet the initial challenge of capturing evaluator attention

thus face the secondary challenge of conforming to the expectations of one set of evaluators, without violating the boundaries of others on which they might also depend.

Countering the perception of instability and uncertainty generated among potential constituents by the presence of multiple forms is the third challenge faced by hybrid organizations (Kraatz & Block, 2008). Potential funders, even if they view the present features of a hybrid social venture as legitimate, may worry that the venture nonetheless faces pressures to engage in less legitimate behaviors or prioritize different goals. External evaluations of a hybrid organization are thus influenced not only by the effect of its positioning outside, or across, existing categories, but also by the *perceived indeterminacy of the organization's future actions* in the presence of multiple salient categories. Hybrid social ventures are consequently not only evaluated in terms of their current features, but also are penalized for the possibility that, owing to competing pressures, they may, in the future, fail to meet funders' established criteria of success.

Funders, in the face of significant information asymmetries in their processes of screening and evaluating new ventures, tend to depend strongly on familiar patterns and categories (Zacharakis & Shepherd, 2001). Hybrid social ventures are unlikely to fare well under processes of categorization and evaluation that favor well-understood, stable forms. These penalties originating, as I have described, from three distinct mechanisms, cognitive legitimacy, boundary violation, and uncertainty of future action, I predict that hybrid social ventures that incorporate the business form will raise less external capital.

***Hypothesis 1a: Social ventures that adopt the business form to a greater degree will raise less external capital than traditional charities.***

### *Liabilities of hybridity in internal operations*

Combining multiple forms in a single organization complicates not only the acquisition of external resources, but also the formulation of organizational strategies and criteria for success. Managers make decisions on the basis of institutionalized conceptions of control, constructing strategies and structures from socially-derived logics that connect managerial action to organizational success (Fligstein, 1993). In charities, these logics are premised largely on notions of community and voluntarism, reflected, in turn, in management practices (Smith & Lipsky, 2009). The elevation of financial capitalism in recent years has arguably carried the dominant logic for business management further than ever from such considerations (Davis, 2009). The presence of competing management logics forces hybrid social ventures into difficult trade-offs (Garrow & Hasenfeld, 2012) and confounds the creation of accounting systems for performance measurement and control (Ebrahim & Rangan, 2010; Kanter & Summers, 1994). For example, microfinance organizations owned by profit-seeking investors impose strong formal structures designed to maximize returns on equity, but associated bureaucratic rules frequently conflict with the beliefs of individual managers that the organizations should attend to the unpredictable human needs of their impoverished clientele (Canales, 2013).

A second internal challenge is compositional, manifested in how the presence of multiple, incompatible logics shapes relations between individual organization members. Individuals recruited by a hybrid social venture are likely, whether through education or professional experience, to have been socialized in ways that do not reflect the hybrid's idiosyncratic combination of forms (Battilana & Dorado, 2010; Zilber, 2002). Such compositional effects potentially result in organizational arrangements "wherein very different beliefs and values might be simultaneously taken for granted" (Kraatz and Block, 2008: 4). Although peaceful co-



existence of such institutional diversity among organization members is not inconceivable, conflicts are likely in situations in which the business and charitable forms would allocate resources differently. Glynn (2000) describes just such an intra-organizational dynamic in the case of the Atlanta Symphony Orchestra during re-negotiation of a labor contract between orchestra musicians and administrators. Tensions escalated as the respective parties emphasized their professional identities through strategies that highlighted their distinctiveness from each other, resulting in open conflicts including musician strikes and administrator-initiated lockouts that compromised both sides' goals. Where diversity of relevant experience and logic exists, so too does the potential for minority actors to intervene in, and even ultimately arrest, decision-making processes by imposing their preferred definition of organizational success (Heimer, 1999).

Finally, the potential for conflict between multiple logics engenders in members uncertainty as to an organization's future path. Allocating resources to services that provided for their employees' basic needs prevented Aspire, a hybrid social venture that employed the homeless in selling catalogue goods, from focusing on the operational investments needed for organizational growth and performance; as its strategy swung quickly from focusing on social impact to business concerns, "franchisees *lost* faith in the Aspire business model... financial problems led to an increasingly narrow focus on profitability and a perceived dilution of Aspire's social goals" (Tracey et al., 2011: 68). At the nascent stage, confidence in the still-uncertain organizational model is critical to the viability of a provisional venture. The presence of competing forms augments this uncertainty, potentially eroding confidence in the organization.

Hybrid social ventures' positioning between forms exposes them to an array of internal challenges. Viability, for ventures that may or may not yet be fully operational, is manifested in

the achievement of basic organizational outcomes that lay the foundation for a fully functioning organization (Reynolds & White, 1997; Ruef, 2005). Prior research has identified a number of activities beyond acquiring external capital that are universally pertinent to the success of nascent entrepreneurship including legal establishment, operational startup, social organization, and initiation (Ruef, 2005). That many entrepreneurial efforts stall at this stage suggests that these activities are an important antecedent to the creation of firms that are successful in the long run (Carter, Gartner, & Reynolds, 1996). On the basis of the mechanisms described above, I argue that, *ceteris paribus*, hybrid social ventures will be less successful than traditional charitable ventures in these activities.

***Hypothesis 1b: Social ventures that adopt the business form to a greater degree will be less likely than traditional charities to achieve nascent entrepreneurial milestones.***

### **Practice integration as a filter of organizational hybridity**

Under what conditions, given the challenges of operating in an institutionally bifurcated environment, are hybrid social ventures likely to become viable organizations? Building on the idea that competing institutional forces are filtered by organization-level differences that shape these organizations' experience of multiple conformity pressures, and the tensions generated between them, I theorize about organizational practices particular to hybrid ventures, specifically with respect to the core products and services that are created and delivered. Hybrid ventures that combine multiple forms may engage in separate, decoupled practices that serve these forms' respective goals. Alternatively, hybrid ventures may engage in *integrated practices* that simultaneously advance the goals of both forms.

Organizational practices arise from, and contribute to, the shared understandings that help to maintain order within and across organizations (Schatzki et al., 2001). Their importance lies in that, beyond abstracted values, institutions are constituted and maintained through specific behaviors that signify correspondence with an existing order (Swidler, 2001), such as an organizational form. Practices thus mediate the performance and evaluation of the familiar schema and categories associated with particular organizational forms. Internally, they are a principal means by which members enact the organizational forms into which they have been socialized, and coordinate with other organization members. For external audiences, such as funders, practices provide, as a visible signal of an organization's underlying qualities, a means to evaluate candidacy for membership in an established category.

Integrated practices are important in the context of hybrid social ventures because they permit multiple, simultaneous formulations of the rule-based logic by which a given practice adheres to a particular form. The integrity of organizational forms is maintained through a set of social rules that, through repetition and structuration, become linked to a typical set of practices (Giddens, 1984). In the context of hybrid social enterprises, in which the dominant rules are the central goals of each form (for charity, the fulfillment of social mission, for business, economic profit), a practice that fulfills both has the potential to circumvent conflicts between the respective pressures they generate. Practices that advance both an organization's charitable mission and its commercial imperatives can be seen as belonging to both forms simultaneously. The creation of new practices that satisfy multiple forms thus affords an avenue by which new ventures may diverge without sacrificing legitimacy.

The importance of practice integration is embedded in competing views of the merits of hybrid social ventures. Toepler (2006) describes this debate as following two dominant strands that

make differing assumptions about the relation between business and social activities. In the first, incorporation of aspects of the business form, being separate from activities pursued in fulfillment of an organization's social mission, "only takes place to subsidize the collective good provision" (Foster & Bradach, 2005; Toepler, 2006: 100; Weisbrod, 2004). Viewed so, and whether structurally or legally decoupled, commercially oriented activities constitute independent commercial "arms" of an organization (Dees, 1998a). In the second strand, of which microfinance and fair trade businesses are often advanced as examples, organizations engage in business practices that *directly advance* their social mission (Phills, Deiglmeier, & Miller, 2008)

Past research on hybrid organizations offers evidence that the conflict experienced between multiple forms may indeed be shaped by the specific sets of practices organizations adopt. Jay's (2013) analysis of the Cambridge Energy Alliance's change process revealed the incorporation of new, non-integrated practices to trigger organizational paradox and instability. CEA's introduction of energy audits into its portfolio of services, for example, contributed to its social mission, but did not correspond to its business activities. The resulting conflicts culminated in a crisis of organizational identity and, ultimately, in organizational change. Organizational tensions thus arose from the presence of a choice that would have advanced the goals of one form, but not the other.

Some activities in which hybrid social ventures engage may address simultaneously goals of both the business and charitable forms (Alter, 2004). For instance, loans granted by microcredit institutions often possess this quality. Such loans empower poor recipients to escape poverty cycles and engage in more productive economic activities, in accordance with the goals of the charitable form (Canales, 2013). They simultaneously enable the microcredit institution to function as a business, as well-executed loans at appropriate interest rates satisfy the commercial goals of value capture and market efficiency. In the workforce integration social enterprises studied by Pache and

Santos (2012), training the unemployed both served the organization's social mission and generated revenues from the clients who hired them. An analogous argument could be made for orchestra performances that are simultaneously avenues for artistic expression and revenue production (Glynn, 2000).

### *Practice integration and financial resource acquisition*

We now turn to the prediction of how integrated practices might affect the penalties to hybrid social ventures theorized to variously arise from failure to gain funders' attention, violation of categorical boundaries, and perceived uncertainty of future action. Central to this argument is the idea that integrated practices might have a "holographic" quality whereby they may be perceived to belong to both the business and charity categories. As previously noted, the mechanics by which categories operate depend on an audience's perceptions of a limited set of visible traits (Zuckerman, 1999) by which underlying qualities of a subject are inferred from the permutation of limited information. Integrated practices certify to business and charity audiences that they are legitimate members without violating the boundaries of either category, the latter feature perhaps even more important than category-affirming features in terms of garnering audience attention and avoiding exclusion and penalization (Hsu et al., 2009). In the process of evaluation, integrated practices that a prospective business funder might perceive as unfamiliar because they explicitly address an extraneous social mission are not contradictory to the business form because they also produce revenue, and might consequently be viewed, at worst, as neutral signals of the general business quality of a social venture.

With respect to perceptions of uncertainty, integrated practices demonstrate to external audiences a capacity to respond to multiple pressures without engaging in trade-offs. The perception

by a charitable funder that commercial pressures might pose a threat to the fidelity of a hybrid social venture's future behavior might, for instance, be attenuated by practices that enable the venture to accommodate these pressures without violating its social mission. In these ways, practice integration might be expected to significantly mitigate the effects of the three mechanisms that impinge on hybrid ventures' resource acquisition.

***Hypothesis 2a: Social ventures with a greater proportion of commercial practices that also directly advance their social mission will experience lesser penalties to external fundraising than would otherwise accrue to incorporation of aspects of the business form.***

*Practice integration and internal operations*

Integrated practices might also be expected to attenuate the intra-organizational challenges that arise from the demands of multiple forms. Whereas hybrid social ventures suffer ambivalence between the multiple imperatives of business and charity, practices that allow for the fulfillment of both goals at once facilitate the allocation of resources by circumventing tradeoffs between the expectations of the respective forms. The second challenge, which arises from interpersonal conflict due to compositional diversity, may be similarly accommodated without conflict to the extent to which organization members view integrated practices as consistent with their preferred form. Notably, organization members may reach consensus on organizational practices without consensus on organizational goals. It is sufficient that they mutually recognize a single set of practices as amenable to their own conceptions of legitimate behavior.

Third, and finally, concerns regarding uncertainty also may be avoided, integrated practices providing a clear and stable means by which organizations can comply with disparate logics held by

members. In these ways, practice integration might be expected to ameliorate internal challenges associated with the competing pressures faced by hybrids.

***Hypothesis 2b: Social ventures with a greater proportion of commercial practices that also directly advance their social mission will experience lower barriers to meeting nascent entrepreneurial milestones consequent to incorporating aspects of the business form.***

## **Methods**

**Sample.** I tested these hypotheses on a sample of several hundred nascent social ventures over a one-year period, using data collected from multiple sources. To identify a sample of nascent social ventures, I began by contacting a major social entrepreneurship fellowship-granting organization that conducts an annual selection process. The fellowship solicits applications from entrepreneurs creating social ventures intended to pursue “positive social change,” which must be in the idea phase or early-stage, not to exceed two years of operation, and imposes no constraints on the strategies or legal status of the ventures. All of the entrepreneurs in our sample confirmed that their respective ventures were their own “original idea.” To avoid the selection bias of the fellowship-granting organization, I investigated the sample of all entrepreneurs who applied for the fellowship irrespective of their success in the fellowship competition.

Longitudinal studies are required for examining mechanisms related to success and other outcomes of nascent ventures, but have historically been absent from entrepreneurship research due to myriad challenges related to the significant costs of monitoring and data collection (Chandler & Lyon, 2001; Davidsson, 2005). I am unaware of any studies to date that construct a longitudinal sample of nascent hybrid ventures, previously-published studies studying either one

organization (Besharov, 2012; Glynn, 2000; Jay, 2012; Zilber, 2002), or a small number of comparative case studies within the same field of activity, defined *ex ante* as hybrid (Battilana & Dorado, 2010; Haveman & Rao, 2006; Pache & Santos, 2012; Zilber, 2011). The present paper assembles a large sample of nascent social ventures that includes some that incorporate the business form to varying degrees, thus enabling analysis of the relationship between this variation and organizational outcomes.

Longitudinal variables were collected primarily through two surveys, conducted one year apart, of a sample of several hundred social ventures. With the cooperation of the fellowship-granting organization, the opportunity to participate in the study was offered via email to every applicant to the competition offered in February 2012, a total of 3,500 applicants. The 846 applicants who opted into the study were asked to complete a web-based survey instrument (hereafter referred to as Survey  $t_0$ ). One year later, in February 2013, the same applicants were asked to complete a follow-up survey (hereafter referred to as Survey  $t_1$ ). Of the 846 who completed the initial survey, 471 completed the follow-up survey, a response rate of 56%. Discarding responses with missing or corrupted values left 457, which constituted a response rate of 54%. Basic demographic characteristics were similar across respondents (*mean age* = 36.9 years; % *male* = 59%; % *U.S.-based* = 55.0%) and non-respondents (*mean age* = 37.1 years; % *male* = 63%; % *U.S.-based* = 59.4%).

Following the administration of survey  $t_0$ , I constructed from the original application materials, and matched to the survey responses, archival data on respondents' gender, age, and geographic location. To test for comprehension and correspondence to the underlying constructs, questions were pre-tested prior to each survey on entrepreneurs who had applied to the same competition in an earlier year.



### *Dependent variables*

**Financial resource mobilization.** Acquisition of external capital, being among the most critical needs of early-stage organizations, has been widely studied as a proxy for entrepreneurial performance (Hsu, 2007; Shane & Stuart, 2002). To gauge the financial resources mobilized by entrepreneurs over the past year, I included on Survey  $t_1$  several questions designed to measure, in U.S. dollars, the amounts acquired from each of the following sources: for-profit investment; charitable funding; government grants; and impact investment that seeks both financial and social returns. More than 90% of respondents provided this information, those who declined mostly citing confidentiality concerns. These figures were added, and logged to account for outliers, to produce the variable *log of capital raised (t1)*.

**Other milestones achieved.** Entrepreneurs' progress on other milestones that depended on intra-organizational processes was measured on a set of four additional milestones identified by Ruef (2005) as essential to the emergence of nascent organizations. For each milestone, I followed his operationalization of these as binary variables measuring achievement of the milestone. Legal establishment is measured as having occurred if an organization was granted legal status, operational startup as having occurred if the organization successfully delivered a product or service, social organization as having occurred if the organization hired its first non-founder employee, and initiation as having occurred if the venture constituted the entrepreneur's primary work. The latter measure, although it varies slightly from Ruef's (2005), which measures initiation as the creation of a founding team due to a sampling frame that favors later-stage organizations, is nevertheless consistent with the concept of initiation as referring to "a declared intention on the part of one or more nascent entrepreneurs to found an organization."

The progress of individual ventures was measured by asking in Survey  $t_1$ , following the protocol established by previous studies of nascent entrepreneurs, if each of the foregoing milestones had been achieved (Reynolds & White, 1997). For each that had, the survey asked if it had been reached for the first time in the past year. For each milestone not yet reached (and therefore “at risk” of the venture achieving it), a binary indicator variable was generated to measure whether it had been achieved in the past year. Summary statistics on the achievement of the milestones represented by the variables *delivered products or services (t1)*, *received legal status (t1)*, *entrepreneur’s primary work (t1)*, and *hired employee (t1)* are presented in Table 3.1.

#### *Independent variables*

**Incorporation of business form.** The measure of the extent to which sample ventures incorporated aspects of the business form was based on a composite of factors associated with that form. Building on past research that measures the extent to which new ventures adopt an organizational form (Cliff, Jennings, & Greenwood, 2006), I constructed as a measure of the extent to which the business form was adopted a series of six 5-point, Likert-style items that captured the scholarly view of the business form.

My approach to scoring ventures in terms of their incorporation of the business form follows the well-established idea that organizational forms are characterized by two elements: shared traits, and a shared tendency to draw upon a common niche of resource providers (Hannan & Freeman, 1986). The distinctive trait of the business form is the capture of financial value. The degree to which each venture expressed this trait was captured by asking respondents to what extent “my venture addresses an opportunity to make money.” Structural equivalence

within a common resource niche was tested by formulating items that described five categories of resource providers with which nascent ventures engage and that pilot tests had indicated were meaningful to the entrepreneurs, namely, funders, employees, partners, customers, and the entrepreneur (see **Appendix A**). A five-point, Likert-style item corresponding to each of the two forms for each resource provider was then developed. The extent to which social entrepreneurs in the sample adopted the *business form* was thus calculated as the unweighted sum of six items (A list of these items is provided in **Appendix B**).

To verify that these items captured the underlying concept, additional checks were conducted at multiple stages of the research process. Discussions with social entrepreneurs and other experts prior to distributing the survey verified the alignment of these items with the underlying forms present in the environment. To ensure that the items were clear, corresponded to their underlying theoretical constructs, and would be meaningful to respondents, they were piloted in a separate survey administered to several hundred entrepreneurs whose ventures were more mature.

Factor analyses were conducted to test whether the items captured the underlying forms.<sup>‡</sup> An exploratory factor analysis that followed implementation of the survey estimated the loadings of each of the six items on the business form. This produced, as expected, a factor with eigenvalues that exceeded one, the typical cutoff criterion (Gorsuch, 1997), and a high alpha ( $\alpha = .88$ ) that indicated an acceptable level of inter-item correlation (Nunnally, 1978). Exploratory factor analysis is a generally accepted method for inductively establishing the underlying qualities of factors and their relationship to multiple indicators. But because the survey items

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<sup>‡</sup> I developed for the factor analyses a matching set of items that corresponded to the charitable form. On the survey instrument, respondents thus responded to twelve items that corresponded to organizational form, six associated with the business, and six with the charitable, form. For the charitable form,  $\alpha = .74$ . This relatively low alpha is due to low variance in measures of the charitable form, as was expected for a sample of social ventures.

were developed *ex ante* through the process previously described, an additional confirmatory factor analysis was performed to deductively test the correspondence of the survey items to the business form. Structural equation modeling (SEM) using the *sem* program in STATA was employed for this analysis. Leaving the loadings on each indicator unconstrained resulted in an identical assignment of items to the two latent variables corresponding to the business and charity forms. The comparative fit index (Bentler & Bonett, 1980) and Tucker-Lewis index (Tucker & Lewis, 1973) were 0.918 and 0.898, respectively. Studies that employ SEM conventionally assess these two statistics using a cutoff of .90; although the TLI was slightly below that value, these statistics were interpreted jointly as sufficient for the model to be considered a good fit.

**Practice integration.** Measures of practice integration were generated for each project through expert coding of the original project descriptions obtained from the fellowship-granting organization. Each survey response was matched to these text data, typically 1,000-1,500 words in length, all of which were structured as responses to specific questions about topics that included the venture's main activities, most innovative characteristics, and intended sources of financial and other resources.

Each venture's level of integrated practices was coded by the author and a second expert coder with significant experience in social enterprise. Of particular interest were responses to the following survey items. (1) Describe the specific programs or products of your organization. (2) Describe the specific social problem your organization is trying to solve. (3) How will you raise the rest of the money you need in the future and who or what might be the sources? The coders, considering the commercial activities identified in the response to the first item, used a Likert-type 5-point scale to judge the proportion of these activities that also directly addressed the organization's

social mission, a “1” representing no integration, a “5” full integration (examples of coded material that corresponds to different levels of practice integration are provided in **Appendix C**). All projects were independently evaluated by the two coders (Pearson correlation score  $\rho = 0.75$ ), and disagreements resolved through comparison and discussion. The resulting variable was called *integration*.

**Venture-level control variables.** Performance during the 1-year observation window was assessed using, for each of the two measures of performance, control variables that accounted for prior performance. The total capital raised prior to the last year was collected from the original applications and logged to account for outliers, resulting in the variable *logged capital raised prior to last year*. Models controlled for all other milestones. All models also controlled for the *country* in which a venture was located, measured as a series of binary indicator variables, and for the *number of co-founders*, being the human capital resources available to the venture at the time of founding.

**Individual-level control variables.** Because ventures at a nascent stage rely heavily on the resources of their founders, I added controls for the primary founder’s *age* and *gender* and level of educational attainment, specifically whether the founder had earned a *college degree*. Finally, because entrepreneurial skills are acquired through direct, personal experience with entrepreneurship (Plehn-Dujowich, 2010), I controlled for whether the primary founder reported having previously founded a venture and was therefore a *previous founder*.

### *Analyses*

Descriptive statistics and correlations are given in Tables 3.1 and 3.2. To test the preceding hypotheses, I considered a number of statistical models. For Hypotheses 1a and 2a

concerning external capital raised, I used Tobit models to account for the substantial number of observations for which the magnitude of external capital raised was zero. These results, which I generated using the *tobit* command in Stata, are provided in Table 3.3. For Hypotheses 1b and 2b concerning the achievement of entrepreneurial milestones, I modeled the achievement of each milestone separately, using heckman bivariate probit models. These models combine a probit model predicting the achievement of the milestone with a sample selection equation. Sample selection is important to account for unobserved heterogeneity that may have led organizations to fail to previously achieve the milestone prior to the observation period, and thus to be selected into the population “at risk” of achieving the milestone. For these analyses I used the *heckprob* command in Stata. These results are provided in Table 3.4.

**Table 3.1: Descriptive analyses of achievement of milestones**

**Incidence of milestone achievement (n = 457)**

	achieved at t0	"at risk" of achieving during t1	achieved during t1	percentage
received external funding	80	377	107	28%
delivered products or services	134	323	194	60%
registered legal status	166	291	117	40%
entrepreneur's primary work	127	330	125	38%
hired an employee	60	397	105	26%

**dyadic correlations of milestone achievement (conditional on neither milestone having been achieved at t0)**

	funding	prodserv	legal	primarywork	employee
received external funding					
delivered products or services	0.25				
registered legal status	0.37	0.47			
entrepreneur's primary work	0.33	0.45	0.58		
hired an employee	0.32	0.34	0.44	0.47	

**dyadic risk set counts (neither milestone achieved at t0)**

	funding	prodserv	legal	primarywork	employee
received external funding					
delivered products or services	299				
registered legal status	268	241			
entrepreneur's primary work	296	270	254		
hired an employee	344	299	279	311	

**joint (5 milestones) risk set and achievement of milestones (t1)**

milestones achieved (t0)	0	1	2	3	4	5	Total
0	62	26	36	29	38	21	212
1		34	20	14	10	9	87
2			20	19	8	6	53
3				37	16	7	60
4					22	9	31
5						14	14
<b>Total</b>	<b>62</b>	<b>60</b>	<b>76</b>	<b>99</b>	<b>94</b>	<b>66</b>	<b>457</b>

**Table 3.2: Descriptive statistics and correlations**

Variable		Obs	Mean	Std. Dev.	Min	Max
resource mobilization & milestones	logged external capital raised (last year)	457	4.23	4.79	0	14
	business form	457	16.6	6.64	6	30
	integration	457	2.87	1.82	0	5
	logged external capital raised to date (t0)	457	6.41	4.39	0	14.5
	delivered products or services (t0)	457	0.29	0.46	0	1
	registered legal status (t0)	457	0.36	0.48	0	1
	entrepreneur's primary work (t0)	457	0.28	0.45	0	1
	hired an employee (t0)	457	0.13	0.34	0	1
controls	# of cofounders	457	1.60	0.91	1	4
	previous founder	457	0.45	0.50	0	1
	gender	457	0.59	0.49	0	1
	age	457	36.91	10.55	18	72
	college degree	457	0.89	0.31	0	1
	program area = arts and culture	457	0.05	0.22	0	1
	program area = civil rights	457	0.07	0.26	0	1
	program area = economic development	457	0.37	0.48	0	1
	program area = education	457	0.26	0.44	0	1
	program area = environment	457	0.10	0.30	0	1
	program area = health and healthcare	457	0.07	0.26	0	1
	program area = public service	457	0.07	0.25	0	1

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
(1) logged total capital raised (last year)	1.00																			
(2) business form	-0.16	1.00																		
(3) integration	0.01	0.37	1.00																	
(4) logged external capital raised to date (t0)	0.39	0.03	0.10	1.00																
(5) delivered products or services (t0)	0.15	-0.03	0.00	0.20	1.00															
(6) registered legal status (t0)	0.13	-0.05	-0.01	0.24	0.35	1.00														
(7) entrepreneur's primary work (t0)	0.06	0.06	0.09	0.21	0.39	0.45	1.00													
(8) hired an employee (t0)	0.11	0.00	0.07	0.26	0.26	0.35	0.35	1.00												
(9) # of cofounders	0.12	-0.04	0.01	0.14	-0.04	0.07	-0.02	-0.03	1.00											
(10) previous founder	-0.03	0.12	0.04	0.03	0.08	0.04	0.14	0.03	-0.02	1.00										
(11) gender	0.04	-0.04	-0.06	0.04	0.01	-0.01	0.01	0.04	-0.01	0.14	1.00									
(12) age	0.01	0.03	0.01	0.09	0.09	0.05	0.05	0.07	-0.08	0.19	0.05	1.00								
(13) college degree	0.04	0.02	0.02	0.06	0.07	0.06	-0.07	-0.03	-0.06	0.00	-0.02	0.02	1.00							
(14) program area = arts and culture	0.04	-0.05	-0.05	-0.02	0.04	0.03	0.07	0.00	-0.01	-0.03	-0.02	-0.11	0.02	1.00						
(15) program area = civil rights	0.11	-0.16	-0.10	-0.04	-0.03	-0.03	-0.02	-0.03	0.01	0.01	-0.05	0.05	-0.07	-0.06	1.00					
(16) program area = economic development	-0.05	0.21	0.16	0.08	0.00	0.04	-0.02	0.00	-0.02	0.09	0.05	0.05	0.05	-0.18	-0.21	1.00				
(17) program area = education	-0.04	-0.12	-0.16	-0.08	0.02	-0.03	-0.06	-0.06	-0.01	-0.05	-0.04	-0.04	-0.05	-0.14	-0.16	-0.46	1.00			
(18) program area = environment	0.02	0.10	0.09	-0.02	-0.04	-0.06	0.00	0.04	-0.02	-0.03	0.08	0.05	0.07	-0.08	-0.09	-0.26	-0.20	1.00		
(19) program area = health and healthcare	0.03	-0.06	0.08	0.09	-0.07	0.04	0.05	0.07	0.00	-0.03	0.01	-0.01	0.04	-0.07	-0.08	-0.21	-0.17	-0.09	1.00	
(20) program area = public service	-0.03	-0.05	-0.07	-0.02	0.07	0.01	0.05	0.02	0.08	-0.01	-0.06	-0.03	-0.08	-0.06	-0.07	-0.21	-0.16	-0.09	-0.08	1.00



## *Findings*

Table 3.3, Model (1) reports a specification that predicts total external fundraising using only control variables. Model (2) finds a strongly significant and negative coefficient of incorporation of the business form on total fundraising, which supports Hypothesis 1a. That the model also finds the interaction of integrated practices with incorporation of the business form to have a positive and significant coefficient suggests that, of those that incorporate the business form, social ventures with a greater proportion of integrated commercial practices encounter fewer challenges to external fundraising as a result of their hybridity. This supports Hypothesis 2a. As expected with regard to the control variables, past success raising funds is also positively associated with external fundraising during the observation period.

**Table 3.3: Models that predict financial resource mobilization**

	Resource mobilization (Tobit)		
	logged capital raised in last year (t1)		
	(1)	(2)	(3)
commercialization		-0.244** (0.0687)	-0.343** (0.0883)
commercialization X integration			0.0249* (0.0138)
logged capital raised to date (t0)	0.873** (0.111)	0.867** (0.109)	0.860** (0.108)
delivered products or services (t0)	1.736+ (1.002)	1.559 (0.989)	1.628 (0.985)
registered legal status (t0)	0.308 (0.998)	0.0745 (0.986)	0.201 (0.983)
entrepreneur's primary work (t0)	-2.105+ (1.137)	-1.569 (1.126)	-1.715 (1.124)
hired an employee (t0)	1.196 (1.355)	1.009 (1.335)	0.917 (1.329)
# of co-founders	1.269** (0.483)	1.190* (0.474)	1.171* (0.472)
serial entrepreneur	-0.623 (0.851)	-0.232 (0.845)	-0.185 (0.841)
gender = male	1.263 (0.872)	1.325 (0.861)	1.385 (0.857)
age	-0.0213 (0.0405)	-0.0283 (0.0400)	-0.0288 (0.0399)
college degree	-0.868 (1.401)	-0.693 (1.381)	-0.768 (1.373)
program area = arts and culture	3.515 (2.396)	3.208 (2.362)	3.270 (2.350)
program area = civil rights	6.418** (2.140)	5.656** (2.106)	5.595** (2.095)
program area = economic development	1.276 (1.755)	1.911 (1.730)	1.687 (1.726)
program area = education	1.047 (1.761)	0.812 (1.729)	0.877 (1.721)
program area = environment	2.102 (2.114)	2.671 (2.081)	2.573 (2.070)
program area = health and healthcare	-0.334 (2.254)	-0.520 (2.205)	-0.849 (2.205)
Constant	-4.733 (3.400)	-0.175 (3.524)	0.233 (3.516)
Pseudo R-squared	0.103	0.110	0.120
Observations	457	457	457

Standard errors in parentheses  
 \*\* p<0.01, \*p<0.05, + p<0.1 (hypothesized effects one-tailed; controls two-tailed)  
 Note: includes indicator variables for country location. Reference category for program area is "public service".

**Table 3.4: Models that predict other milestones achieved**

	Other new milestones achieved (heckman bivariate probit)							
	delivered products or services (t1)		received legal status (t1)		entrepreneur's primary work (t1)		hired employee (t1)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
business form	-0.029** (0.011)	-0.038** (0.014)	-0.037* (0.017)	-0.063** (0.023)	-0.028* (0.013)	-0.039* (0.017)	-0.003 (0.024)	-0.009 (0.017)
business form X integration		0.002 (0.002)		0.006* (0.003)		0.003 (0.003)		0.001 (0.003)
logged capital raised to date (t0)	0.045* (0.018)	0.046* (0.018)	0.105*** (0.024)	0.101*** (0.023)	0.051** (0.019)	0.050** (0.019)	0.105*** (0.031)	0.105*** (0.022)
delivered products or services (t0)			-0.613 (0.388)	-0.498 (0.378)	-0.901*** (0.213)	-0.892*** (0.207)	-0.699* (0.330)	-0.694** (0.226)
registered legal status (t0)	0.275 (0.168)	0.288 (0.176)			-0.727*** (0.187)	-0.698*** (0.191)	-0.142 (0.618)	-0.131 (0.192)
entrepreneur's primary work (t0)	0.501* (0.205)	0.494* (0.212)	-0.714 (0.781)	-0.499 (0.703)			0.000 (0.342)	-0.014 (0.238)
hired an employee (t0)	0.177 (0.251)	0.232 (0.276)	0.081 (0.734)	0.311 (0.612)	-0.362 (0.354)	-0.413 (0.342)		
# of co-founders	0.108 (0.099)	0.110 (0.099)	0.134 (0.125)	0.152 (0.120)	-0.006 (0.089)	-0.008 (0.091)	0.131 (0.116)	0.130 (0.097)
serial entrepreneur	0.160 (0.154)	0.168 (0.158)	0.144 (0.206)	0.137 (0.201)	0.123 (0.158)	0.124 (0.165)	0.432+ (0.238)	0.433* (0.171)
gender = male	0.022 (0.151)	0.051 (0.157)	-0.175 (0.202)	-0.151 (0.195)	-0.305+ (0.159)	-0.311+ (0.169)	-0.219 (0.255)	-0.211 (0.171)
age	-0.001 (0.007)	-0.002 (0.007)	-0.001 (0.009)	-0.001 (0.009)	0.002 (0.008)	0.002 (0.008)	-0.020* (0.009)	-0.020* (0.008)
college degree	0.176 (0.246)	0.185 (0.248)	-0.340 (0.383)	-0.251 (0.356)	0.234 (0.229)	0.236 (0.249)	0.355 (0.373)	0.352 (0.296)
program area = arts and culture	1.448* (0.611)	1.473* (0.614)	0.733 (0.573)	0.753 (0.551)	0.625 (0.515)	0.625 (0.517)	1.152* (0.496)	1.162* (0.491)
program area = civil rights	0.336 (0.418)	0.332 (0.417)	0.759 (0.532)	0.671 (0.515)	0.459 (0.473)	0.436 (0.474)	0.686 (0.479)	0.676 (0.477)
program area = economic development	0.203 (0.339)	0.189 (0.338)	0.557 (0.447)	0.498 (0.428)	0.784+ (0.405)	0.765+ (0.407)	0.570 (0.421)	0.563 (0.400)
program area = education	0.102 (0.325)	0.117 (0.329)	0.646 (0.446)	0.636 (0.434)	0.621 (0.408)	0.618 (0.408)	0.495 (0.399)	0.504 (0.404)
program area = environment	-0.025 (0.384)	-0.005 (0.387)	0.382 (0.521)	0.331 (0.494)	0.322 (0.449)	0.317 (0.462)	0.797 (1.040)	0.777+ (0.450)
program area = health and healthcare	-0.601 (0.407)	-0.641 (0.409)	-0.300 (0.573)	-0.425 (0.545)	0.008 (0.503)	-0.021 (0.503)	0.077 (0.478)	0.057 (0.491)
Constant	0.172 (0.625)	0.170 (0.627)	0.915 (0.833)	0.914 (0.819)	0.137 (0.643)	0.201 (0.695)	-1.015 (0.819)	-0.984 (0.722)
Observations	277	277	248	248	296	296	348	348

Standard errors in parentheses

\*\*\* p<0.001, \*\* p<0.01, \*p<0.05, + p<0.1 (hypothesized effects one-tailed; controls two-tailed)

Note: includes indicator variables for country location. Reference category for program area is "public service".

The models in Table 3.4 predict the achievement of key entrepreneurial milestones. Hypothesis 1b predicts that adoption of the business form reduces the rate at which social ventures achieve key entrepreneurial milestones. Model (1) finds incorporation of the business form to have a negative effect on the likelihood that social ventures that had not yet delivered products or services at  $t_0$ , would achieve this milestone by  $t_1$ . Model (3) finds a similar negative effect of incorporation of the business form on whether social ventures achieve legal status. Model (5) suggests that incorporation of the business form also decreases the likelihood that a venture will be made an entrepreneur's primary work. Model (7) finds no significant effect of incorporation of the business form on the likelihood that a social venture will hire its first employee. In summary, hybrid social ventures experience penalties relative to their traditional charity counterparts in raising external capital, and in three of four milestones used to measure viability in internal operations.

Table 3.4 also shows analyses testing Hypothesis 2b, which predicts that integration of a greater proportion of commercial practices will reduce the liabilities of hybridity that would otherwise impede achievement of the aforementioned milestones. The models find mixed support for this hypothesis. Model (4) suggests that integration mitigates the liabilities of hybridity for attaining legal status. In Model (2), Model (6) and Model (8), the effects of integrated practices with respect to delivery of products or services, ventures becoming entrepreneurs' primary work, and hiring of the first non-founder employee are in the same direction, but not significant. One interpretation of these findings, taken together with the findings in Table 3.1 regarding the effects of adoption of aspects of the business form on external funding, is that having a greater proportion of integrated practices mitigates the costs of adoption of the business form to a greater degree, but that this benefit is limited to entrepreneurial goals

that depend more on processes of external evaluation (i.e., fundraising and attaining legal status). Goals that seem generally to be less dependent on the external legitimating environment (i.e., delivering an initial product or service, a venture becoming an entrepreneur's primary work and the hiring of a non-founder employee) are somewhat less affected.

## **Discussion**

This paper addresses two central questions related to hybrid entrepreneurship. First, I develop and test a theory explaining the mechanisms by which the combination of forms might threaten a hybrid venture's viability. Using a longitudinal, quantitative database of social ventures, I show that indeed, hybrid social ventures that attempt to incorporate aspects of the business form experience, on average, greater constraints on their achievement of key entrepreneurial milestones. Second, I develop the idea that the very same mechanisms that underlie these constraints may be mitigated by integrated practices that simultaneously advance business and charitable goals, a proposition for which I also find support. Hybridity between existing forms stimulates reflexive, generative processes (Seo & Creed, 2002), and may underlie the emergence of competence-destroying practices and organizational forms (Haveman & Rao, 2006; Powell & Sandholtz, 2012). My findings thus help to explain how new organizations that invite hybrid tensions might, through integrated practices, partially evade the constraints that threaten their survival.

The present study highlights the still-evolving perspective of entrepreneurship and innovation research on how institutional forces shape the occurrence of "new combinations" and the entrepreneurial processes responsible for them. I have argued that the survival of hybrid ventures depends on their ability to comply simultaneously with multiple institutional pressures,

which is enabled by the “holographic” quality of integrated practices that advance the goals of multiple audiences. This provides one explanation for how organizations might manage institutional complexity, that is, the tension that exists between multiple institutional logics that provide incompatible prescriptions for behavior (Greenwood et al., 2011). Taking this question to the level of internal practices illustrates how organizational features may filter institutional complexity, thus making it more or less disruptive to organizational functioning.

Looking forward, future research should explore what additional organizational features might serve to mitigate the penalties associated with organizational hybridity. Such “hybrid organizing” features offer a potentially diverse class of solutions to the quandary facing hybrid social ventures (Battilana & Lee, forthcoming). As well as by practice integration, tensions borne of hybridity might be resolved by managerial choices related to hiring (Battilana & Dorado, 2010; Besharov & Smith, 2012), structure and resolving trade-offs between multiple demands (Smith & Tushman, 2005), and cultural entrepreneurship that enables organization members and audiences to understand the hybrid social venture as a coherent organizational entity (Glynn & Lounsbury, 2005; Lounsbury & Glynn, 2001). Such behaviors and factors are likely to play a critical role in managerial efforts to not only develop, but also maintain the tenuous balance between business and charitable goals inherent in, hybrid social ventures (Minkoff & Powell, 2006; Young, 2012). They may also be germane to similar conditions in other fields, such as biotechnology, in which entrepreneurs combine forms in pursuit of innovation (Powell & Sandholtz, 2012).

Another important opportunity for future research lies in the long-term and extra-organizational impacts of commercialization and hybridity in social ventures. A key limitation of the empirical analysis presented in this study is that it considers a single year of outcomes. It is

possible, even likely, that given their innovative nature, success for many of these hybrid organizations may be gauged only through longer-term observations of their outcomes. Similarly, whereas this study considered only organizational outcomes, future research might consider how hybrid organizations influence their constituent forms, and how the founding of hybrids, whether successful or unsuccessful, influences the founding of other hybrids (Tracey et al., 2011) or contributes innovative practices to more established fields. Future research might also examine the role of hybrids in long-term institutional and technological change. The role of integrated practices in broader change processes raises additional questions, as their capacity to be interpreted in multiple ways potentially bypasses reflexive processes typically required for change. Future research might also broaden focus from the hybrid object being studied to the institutionalized schema used in evaluation, and inquire as to whether certain forms are more amenable to hybridization, or how alternative, hybrid schema might co-evolve with the emergence of hybrid practices and organizations. Approaching such questions empirically might benefit from investigation of the emergence and simultaneous enactment of multiple orders of worth, a framework particularly suited to the analysis of specific evaluation decisions (Boltanski, Thévenot, & Porter, 1991; Lamont, 2012).

An additional contribution of this study is methodological. Although social ventures have been heavily studied in recent years, the present study is the first of which I am aware to systematically follow a large cohort of social ventures over time. Most previous studies of how the combination of business and charity forms influences key organizational outcomes have taken the form of in-depth analyses of specific cases that highlight highly particular narratives or mechanisms. While acknowledging that such rich qualitative data cannot typically be collected on large samples of ventures, the approach employed in the present study attempts to avoid some of the potential

shortcomings of reductionism, that is, viewing performance in terms of a single performance metric. The present approach advances instead the notion that intermediate outcomes, or “milestones,” because they are interdependent and jointly contribute to an organization’s likelihood of survival, constitute a meaningful proxy for organizational success. The richness of research in this field will continue to require multiple methodologies, but will benefit from work that compares large numbers of organizations and recognizes multiple organizational outcomes.

A number of limitations of the study are acknowledged. First, there exists the possibility that incorporation of the business form, and not hybridity *per se*, is the sole determinant of the extent to which a nascent social venture is likely to, for example, deliver its first product or service during a one-year window. Given the data available for this study, these effects are inseparable. However, this concern could be partially alleviated by considering the main effects of hybridity and moderating effects of practice integration – a feature particular to the hybrid context – as joint evidence of the institutional explanations offered here. A related question is to what extent do business and charity represent distinct organizational forms? Answers to this question would bear on the theoretical mechanisms discussed herein, research having suggested, for example, that penalties for category-crossing are lessened when category definitions are in flux (Ruef & Patterson, 2009). Recent developments have led some to question the integrity of both businesses and charity, but such turbulence is small relative to the overall scope of these sectors, and so its significance should be viewed as a matter of degree. Monitoring continuing field-level changes in these two sectors will nevertheless be important to ongoing research on hybrid social ventures.

An additional, critical caveat to the interpretation of these findings is that the measures of organizational viability presented here should be viewed at face value as an organizational



outcome, and not as having any bearing on organizational success as viewed through a normative lens. It is reasonable to assume that social ventures that achieve the referenced milestones will be the most viable in subsequent work, which, in the case of organizations with a social mission, is likely to entail some associated accomplishments. However, the reductionist temptation to view the viability of a given social venture as associated with high “social performance” would fail to do justice to the moral and practical complexities of evaluating organizations at the nexus of business and charity (Ebrahim & Rangan, 2010; Kanter & Summers, 1994).

## **Conclusion**

Hybrid social ventures that directly combine business and charitable forms are, at their core, profoundly shaped by the pressures of their disparate, constituent forms. Consequently, they are an ideal type for understanding the implications of complexity and hybridity in organizations (Greenwood et al., 2011; Pache & Santos, 2010). Continued study of these unique organizational objects will introduce much needed connections and contributions between mainstream organization theory and the study of social entrepreneurship. In the meantime, it is hoped that this study, by examining the performance consequences of hybridity and integration, might set a course in unraveling the consequences of these organizational objects’ most important and distinctive features.

**Appendix 3.A: Ideal Types of Charitable and Business Forms**

	<b>Charitable form</b>		<b>Business form</b>	
	Organizing logic	Unique resource niche	Organizing logic	Unique resource niche
<b>Goal</b>	Positive social impact		Financial profit	
<b>Role of entrepreneur</b>	Socially-motivated	Entrepreneurs interested in social impact	Maximize profitability	Entrepreneurs interested in profitability
<b>Source of funds</b>	As an instrument for social change	Philanthropy, e.g., foundations and high-net worth philanthropists	As an instrument for financial returns	Commercial investors, e.g., angel investors, venture capital
<b>Source of labor</b>	Voluntarism	Social workers, community members	Employment	Professional managers
<b>Identification of consumers</b>	Serve beneficiaries in greatest need	Consumers who need product the most	Serve customers according to market forces	Consumers who value product most highly
<b>Partners and suppliers</b>	According to affinity with social mission	Other non-profit organizations, CSR arms of corporations	Profit-maximization	Profit-maximizing companies



### **Appendix 3.B: Items measuring incorporation of business form**

*Items measuring “ends” (business form)*

(1) “My venture addresses an opportunity to make money.”

*Items measuring “means” (business form)*

(2) “I am personally working on my venture in order to make money.”

(3) “Funders and/or investors provide financial capital to the venture in order to make money.”

(4) “Employees and/or volunteers work for the venture in order to make money.”

(5) “Customers and/or beneficiaries of the products or services that the venture creates are selected based on market forces.”

(6) “Suppliers and other partner organizations (excluding funders/investors) work with the venture in order to make money.”

### Appendix 3.C: Example integration coding

Organization Name	Organizational Description	Products & Programs	Social Problem	Fundraising Strategy
BeginnerSeed	BeginnerSeed makes it easy and fun for the inexperienced to become gardeners, thereby encouraging them to change their diets in favour of more fresh vegetables, less meat and less processed foods. An online community of gardeners and dedicated products support people's first attempts at growing food. As each novice gardener gains confidence they in turn help others, creating a grassroots shift in food consumption that reverses the detrimental impacts of our modern diets.	BeginnerSeed addresses both the physical and information impediments that inhibit people becoming gardeners. To provide an area to grow vegetables BeginnerSeed sells light, large containers for balconies and patios. This is necessary because the young adult target demographic typically rent in high density areas. The product self-regulates water to the plants for up to a month, sustaining them in the hot Australian climate. A local service delivers and removes plants and soil each season. The knowledge needed to succeed is provided through the BeginnerSeed website. An online community of established gardeners answers questions and gives advice, filling the role that traditionally a parent or neighbour would have played. Users upload photos and stories to share their gardening experiences, while planting guides and electronic reminders prompt for fertilising. Products needed throughout the growing season, such as liquid feed and organic pesticides, are available to buy.	The twin issues of poor diet and environmental degradation are the focus of BeginnerSeed's work. The average Australian gets 40% of their calories from fats and oils. As a result 61.4% of the population are overweight or obese, and in 2010 obesity overtook smoking as the lead cause of premature death. Furthermore, a reliance on meat and processed foods means 24% of households' carbon emissions come from food choices, driving climate change, deforestation and water degradation in Australia.	A bank loan will allow BeginnerSeed to begin operations. Once started it will be a self-funding organisation, with profits from product sales being used to support the business, online community and fund new projects. Following a 'start small and grow slowly' policy, the company aims to be debt-free by the end of 2015. Having worked with organisations where cash-flow is dependent on grants and sponsorship, financial independence is of great importance to BeginnerSeed.
VOICE	VOICE's purpose is to empower girls across India to have a voice in society, their local communities and families. Through 4-week communicative English and gender focused summer camps, VOICE provides girls with the practical tools/knowledge to overcome adversity. An interactive curriculum exposes participants to topics such as body awareness and career opportunities, which are often overlooked. Activity-based learning increases their confidence, communication and decision making abilities.	VOICE aims to increase the relevance of education and employment opportunities for girls in developing countries. VOICE conducts 4-week camps, which consist of 18-unit VOICE designed curriculum; 1 field trip; 4 family days; a final performance; and follow-up year-long mentoring program. Each batch has 30 campers ages 12-16; 1 VOICE trained counselor (young professional/local university student); and 1 trained teacher from the host school. Counselors take on leadership roles and help develop teachers' skills. Teachers are a sustainable resource for girls, making them effective educators/role models. Bringing families into camp shows them how to support their daughters' ambitions. Camps are replicable without increasing costs or sacrificing quality/sustainability by partnering with organizations that have local knowledge and can implement camps. In return, VOICE provides support, training, curriculum, management toolkits, and quality control.	In India, higher female enrollment in school does not translate to quality female education. 93% of girls enroll in primary school, but only 52% continue to secondary. As girls mature, religious/cultural restrictions force them into the home, putting them at risk for early marriage, unsafe pregnancies, and abuse. They are isolated and forced into relationships of dependency. Girls have the potential to become change agents and should be given the knowledge in order to break cyclical poverty.	By adopting a licensing approach for expansion, VOICE is moving towards financial sustainability. In 2012, revenues from licensing fees will subsidize 10% of VOICE's operating budget. This will increase by 2013 to 30%; 2014, 50%; 2015, 60%; and 2016, 65%. VOICE intends to diversify revenue-generating activities. The Nike Foundation has pledged \$100,000 in financial support this year and has shown long-term interest by connecting VOICE with a wide network of donors and grants.
Nikao Orphanage Support Initiative (NOSIN)	NOSIN aims to help alleviate the hardship faced by these orphanages by soliciting for help in cash, kind and service from individuals, organizations and corporate bodies, forwarding these donations to the orphanages and children's homes on our database while at the same time organizing seminars and training to help orphanage workers better serve their wards in their respective orphanages.	* CHARITY DRIVES: During festive seasons and public holidays, NOSIN takes up a "collection" and when this drive is satisfactory, sets aside a special day to make deliveries to the orphanages we partner with and support. * YARD SALES: NOSIN also takes up a "collection" from the general public in order to re-sell what is donated in a special Yard sale. This funds are used for the day to day running of the organization. * ADOPT-AN-ORPHANAGE PROJECT: NOSIN encourages the general public to "adopt an orphanage" by setting aside a monthly stipend for any orphanage of their choice on our database. * NOSIN BENEFIT STORE: This is a discounted shop and the initiative is geared towards ensuring that money comes into the organization's coffers on a fairly consistent basis. * PUBLIC AWARENESS AND STAFF TRAINING SEMINARS AND WORKSHOPS: It is our belief that there is not enough "noise" being made on the need to support orphans thus we organize seminars that sensitize the public.	According to UNICEF, there are 8.5 million orphans in Nigeria. Lagos, with the nation's highest population of 17 million (out of a national estimate of 150 million), is home to a large percentage of these children. Of the 80 orphanages located in Nigeria, only 12 mostly overcrowded, under-staffed and ill-provided for homes are situated in Lagos. The challenge however is not to build more homes but to provide adequate infrastructure and sustenance for the existing ones.	Apart from organizing yard sales and periodic fundraiser events, we plan to get corporate organizations to commit to NOSIN's vision and become regular donors. Nosin also plans to invest in agricultural (allied) products thus empowering ourselves further in order to empower the homes we support.



## CHAPTER 4.

### **LARGE CORPORATIONS, COMMUNITY SOCIAL CAPITAL AND SOCIAL WELFARE: EVIDENCE FROM ORGANIZED COMMUNITY PHILANTHROPY**

Debates about the influence of large corporations on society are nearly as old as the corporate form itself (Avi-Yonah, 2005; Davis & Cobb, 2010). Research on corporate social responsibility (CSR) focuses on firms' attempts to address social issues directly, in search of strategic opportunities linking these initiatives and financial performance (Margolis & Walsh, 2003; Wang, Choi, & Li, 2008). This contemporary focus diverges, however, from the interests of early organization theorists, who observed that large corporations not only contributed directly to society but re-shaped society in ways that were indirect but nonetheless profound (Barley, 2010; Presthus, 1962; Starbuck, 2003; Whyte, 1956). As Hinings and Greenwood (2002) write,

“if we look at the historical roots of the study of organizations, a defining question, or theme was “What are the consequences of the existence of organizations?”... [this] was addressed at two levels: first, how organizations affect the pattern of privilege and disadvantage in society; second, how privilege and disadvantage are distributed within organizations. We believe that the former question all but disappeared from discussion ... in the ‘80s and ‘90s, while the latter has received only fitful treatments.” (2002: 411)

Calls to study the relationship between large corporations and social concerns thus sought not only to understand strategic concerns, but also more generally the consequences of large corporations for the social systems in which they are embedded (Stern & Barley, 1996).

We address these calls by proposing a theory of how large corporations affect social welfare in their communities, through two simultaneous – and sometimes countervailing – mechanisms. First, in accordance with existing theories of corporate social responsibility, large

corporations participate directly in social causes in their local communities (Marquis, Glynn, & Davis, 2007). Second, we propose that large corporations indirectly affect social welfare by influencing the local social structures in the surrounding communities in which they are embedded (Perrow, 1991), and on which social welfare relies. To conceptualize these community-level social structures, we draw on existing theories of community social capital, the durable, functional relationships among a community's members that maintain the general social welfare (Bourdieu, 1977; Putnam, 2000). We propose that corporate influences on community social capital, while perhaps not apparent from the activities in which companies directly engage, may nonetheless be an important pathway by which corporations influence social welfare.

Our examination of the influence of corporations on community social capital focuses on how both corporations and communities relate to social class. Past research has distinguished between two different types of community social capital: “bonding” social capital consisting of relationships within the same social class, and “bridging” social capital between social classes (Putnam, 2000; Woolcock, 1998). We advance the idea that large corporations, through the formal organization of economic activity, introduce and reinforce a bureaucratic role structure in the community that creates pressures on both bonding and bridging social capital (Mills, 1956; Roy, 1999). We further propose that these pressures and their effects on community social welfare differ by class – the role structures of large corporations encourage collective action among organized elites, but discourage collective action within the working class. Between classes, the bureaucratic structures of large corporations formalize and reinforce class divisions and power relations, and should therefore pose challenges to collective community actions across classes. We thus build on past research that has proposed a variety of consequences of social capital for organizations (Adler & Kwon, 2002; Tsai & Ghoshal, 1998) by considering the



converse, that the formal internal organizational structures of large corporations “spill over” into the social capital of the communities in which they are embedded.

We study corporations’ effects on community social welfare in the context of organized community philanthropy. Philanthropy is a key contributor to community resilience, and a primary way in which corporations engage with their external environments (Galaskiewicz, 1997; Marquis et al., 2007; Miller & Guthrie, 2011). In the 20<sup>th</sup>-century, the specific practice of community philanthropy, defined as giving by actors within a community to causes intended to advance the welfare of that community, emerged in response to a confluence of historical demographic and economic factors. Industrialization created new, unprecedented urban social issues as massive numbers of workers migrated into urban areas (Bremner, 1956). This demographic shift created massive demands on the resources and service infrastructure of those cities, and urban poverty became a new target of American voluntarism, as evidenced by a flowering of new charities (Hall, 2006). Community actors began organizing these fundraising efforts, initially into specific Community Chests and later the United Way, a coalition of community philanthropy organizations founded in 1947 that operated in all major US cities. The emergence of organized community philanthropy in the United States is roughly contemporaneous with the rise of large corporations in America, making it a suitable subject for our examination of how large corporations influenced community social welfare. The database on which we test our theory covers organized community philanthropy in the 100 largest United States cities during the period from 1948 to 1997.

The results of our analyses support the idea that the presence of large corporations is associated with greater community philanthropy, suggesting that the presence of large corporations influences community philanthropy through the social capital of the communities in

which they were embedded. Effects on bonding social capital appear to vary by social class – strengthening the effects of elite organization, but weakening those of working-class organization. Our results also suggest that the rise of large corporations affect bridging relations by aggravating tensions between elites and the working-class. We thus find support for both of the mechanisms proposed in our model: large corporations influence social welfare both directly, through their own philanthropic activities, and indirectly, by shaping the social capital of the communities in which they are embedded.

In sum, the present paper attempts to reintroduce a focus on large corporations' influence on the social systems in which they are embedded, by examining the influence of corporations on social welfare through their effects on the broader social structure. In so doing, we contribute to a growing awareness of the deep, multiplex nature of the relationship between firms and their communities (Greenwood, Diaz, Li, & Lorente, 2010). Whereas past research has typically equated corporate social responsibility with the business activities of firms, the theory we develop and test suggests a much more holistic conception of corporate influence on society. Large corporations are social structures that, by virtue of their presence in communities, apply pressures to community social capital that underlies community practices such as philanthropy. Corporate structure thus spills over into community practices that underpin social welfare and resilience. The identification of such indirect mechanisms of corporate influence builds on emerging conceptions of the corporation as a powerful actor within a highly-interdependent system (Crilly & Sloan, 2012), thus expanding the scope of issues considered within the business-society nexus and suggesting that community social structure may be an important pathway by which large corporations influence society.

## **LARGE CORPORATIONS, COMMUNITY SOCIAL CAPITAL AND ORGANIZED COMMUNITY PHILANTHROPY**

The prominence of the large corporate form in U.S. society rose rapidly in the years following the Second World War and peaked in the early 1970s (Davis and Cobb, 2010), a period during which corporations – particularly, large corporations – gained unprecedented power influence over many aspects of everyday life (Drucker, 1962). These developments were widely viewed as a sign of social progress, particularly with the rise of corporations’ direct participation in corporate philanthropy and other social programs in their local communities (Muirhead, 1999). Yet the rise of the large corporate form was also viewed as a potentially disruptive force, with some suggesting that corporate bureaucracy was antithetical to traditional community arrangements (Presthus, 1962; Starbuck, 2003). In the following sections, we outline these multiple influences in greater detail.

### **Large Corporations’ Direct Effects on Community Philanthropy**

Large corporations’ most tangible influence on community social welfare occurred through direct engagement in local philanthropic programs. During the mid-20<sup>th</sup> century, corporate involvement in community philanthropy evolved from an idiosyncratic and personal activity guided mostly by individual business leaders to a strategic behavior on the part of corporations, and subsequently became much more widespread (Carroll, Lipartito, Post, & Werhane, 2012; Soskis, 2010). Research on the benefits of giving suggests that corporate contributions to social causes enhance corporate reputation (Brammer & Millington, 2005), which may in turn improve relationships with a variety of external stakeholders, including

customers (Sen & Bhattacharya, 2001). Within the firm, corporate giving increases employee commitment (Bartel, 2001; Bhattacharya, Sen, & Korschun, 2008; Greening & Turban, 2000), with associated benefits for attracting and retaining talent. In addition to building these intangible assets, corporate philanthropy may create “moral capital” that buffers against the potential public relations costs of scandal (Godfrey, 2005).

The local community in which the corporation is embedded plays a key role in the realization of these benefits, not least because key stakeholders of corporations tend to themselves be locally embedded and thereby connected to the particular social problems facing the local community. Corporate giving is responsive to corporate leaders’ perceptions of local needs (Guthrie, Arum, Roksa, & Damaske, 2008), and a number of large-scale studies of local giving confirm that gifts tend to be directed to local causes (Galaskiewicz, 1997; McElroy & Siegfried, 1986). Extensive informal rules may emerge among local corporate executives, such as the “5 percent club” used by Minneapolis-St. Paul executives to track the percentage of corporate profits given to local charities (Galaskiewicz, 1985). Through such arrangements, corporate philanthropy confers inclusion and status to generous corporations and their executives (Navarro, 1988).

Among all corporations, large firms are the most likely to be active in corporate philanthropy. Studies have consistently shown that large firms give a larger percentage of their revenues to charity (Amato & Amato, 2007; McElroy & Siegfried, 1985; Udayasankar, 2008). Possible explanations for the relationship between size and giving levels include greater visibility of the actions of large corporations (Brammer & Millington, 2006), as well as the idea that large corporations are likely to possess more enduring, committed ties to local resources, creating greater interests to ensure the long-term welfare of their local communities (Molotch, 1976). For

these reasons, we expect to find that as the presence of large corporations in a community increases, the overall level of community philanthropy will also increase.

*Hypothesis 1: Greater presence of large corporations in a community will increase its level of community philanthropy*

### **Large Corporations' Indirect Effects on Community Philanthropy**

Despite recent scholarly attention to strategic corporate philanthropy, early organization theorists were equally interested in corporations' *indirect* effects on social welfare (Hinings & Greenwood, 2002). This interest was framed by the extent to which the rising prominence of corporate structures and interests visibly influenced social life outside the formal boundaries of the corporation. Corporations were initially viewed as a coordinating devices that facilitated voluntary economic exchange among individuals, but corporate growth called into question the historical relation in which natural actors dominated corporate actors, possibly even reversing this balance of power (Coleman, 1982). By the end of the century, some went as far as to argue that "large organizations have absorbed society. They have vacuumed up a good part of what we have always thought of as society, and made organizations, once a part of society, into a surrogate of society" (Perrow, 1991).

The broad notion of "society" is multi-faceted and suggestive of corporate influence that pervades not only economic activity, but a more holistic concept of community actors and their relations. Contemporary theories of "social capital" provide a functional rendering of social structure that highlights its role in maintaining and enhancing social welfare. Bourdieu (1977) defines social capital as "the sum of the resources, actual or virtual, that accrue to an individual or group by virtue of possessing a durable network of more or less institutionalized relationships

of mutual acquaintance or recognition.” Putnam and colleagues (1993) associate this idea with geographic communities: within communities, social capital is the “features of social organization, such as networks, norms, and trust, that facilitate coordination and cooperation for mutual benefit.” We refer to this latter definition, applied to the level of the geographic community, as “community social capital.” The community level of analysis distinguishes community social capital from the use of social capital in other organizational research as an intra-organizational construct (Nahapiet & Ghoshal, 1998).

The most common distinction among types of community social capital links social capital to social class. Two types of community social capital relate to different configurations with respect to class: bonding capital and bridging capital (Gittell & Vidal, 1998; Putnam, 2000; Woolcock, 1998). Bonding community social capital consists in social ties borne out of similarity and the class interests of actors situated within a common social class (Kono, Palmer, Friedland, & Zafonte, 1998). Bonding community social capital is thus “inward looking and tend[s] to reinforce exclusive identities and homogeneous groups” (Putnam, 2000: 22). Bridging community social capital, by contrast, consists in the relationship between multiple, heterogeneous social groups. Bridging therefore provides benefits of diversity in terms of new information and broader collective action.

Organization and management research has highlighted several ways in which community social capital shapes corporate behaviors. These effects can be explained by the notion that organizational actors are simultaneously embedded in community social capital; therefore community social structure also shapes relations within and between firms. In economic clusters such as Silicon Valley, relations among local actors enable access to resources, information and supra-normal business success (Saxenian, 1996). Such benefits of

community social capital are particularly important for entrepreneurs and small organizations, which mobilize local relations in order to identify opportunities and secure capital (Kalnins & Chung, 2006). Community social capital can also function as a conduit for norms surrounding corporate strategies and facilitate shared understandings of legitimate behavior (Galaskiewicz, 1985; Marquis et al., 2007).

While research has shown how social structure affects large corporations, it has largely neglected effects in the opposite direction, whereby corporate structures might influence social structure. Such effects should be expected, in turn, to influence community outcomes.

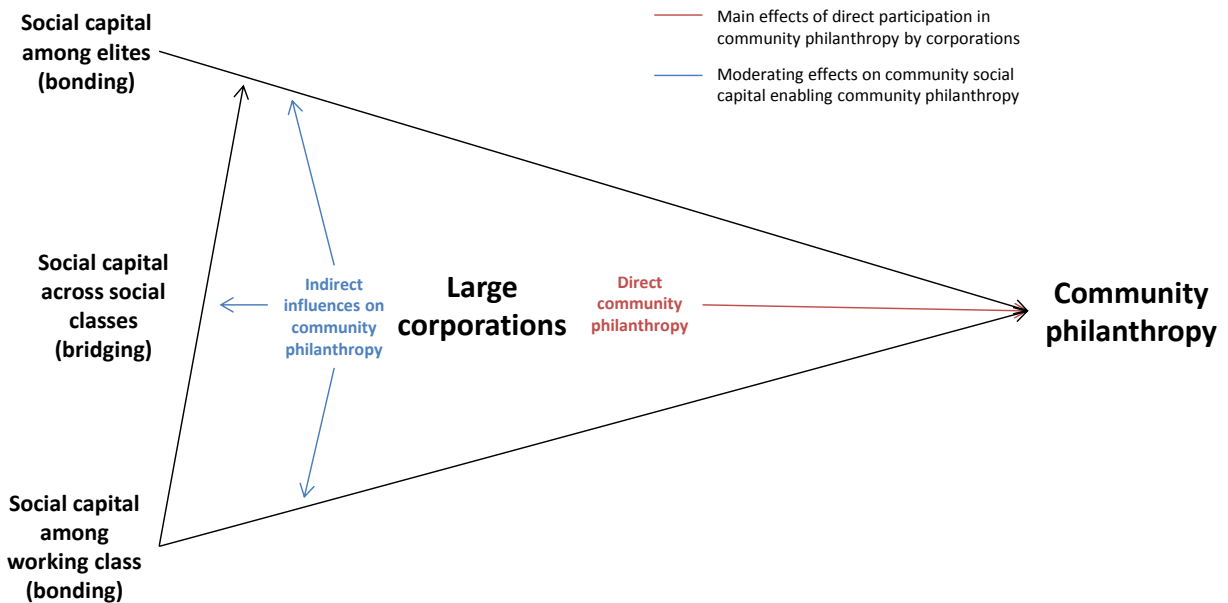
### **Large Corporations, Social Capital, and Community Philanthropy**

The central premise of our model is that the formal structures of large corporations “spill over” into community social structure, thereby re-shaping community-level practices that promote social welfare and resilience. Community philanthropy is archetypal of such practices. Although it involves the cumulative actions of voluntary, individual contributions, community philanthropy is not a purely individual phenomenon, but instead is rooted in community social capital and the resulting feelings of solidarity and empathy among and between individual actors (Hall, 2002). For this reason, we focus on the idea that corporations indirectly influence community philanthropy by influencing relationships among community actors - through the transference of power structures present in large corporations to community social structure. As we will explore later, the transference of organizational relations to community relations is a consequence of corporations’ embeddedness in their local communities: corporations and community philanthropy, far from operating in separate domains, simultaneously operate within a single community social structure that subsumes organizational and class boundaries. Our

general approach to exploring the effects of large corporations on community social capital and community philanthropy is described in **Figure 4.1**.

**FIGURE 4.1**

**Effects of Large Corporations on Community Social Capital and Community Philanthropy**



We hypothesize about the implications of large corporations for the community social capital contained within class-based organizations. U.S. communities differed significantly in the extent to which community actors were organized with others from the same class within class-based organizations, and thus functioned as a source of community social capital. We then consider the bridging role of large corporations in influencing relationships across class boundaries, testing whether the simultaneous presence of such bonding capital among elites and bonding capital among the working class generated community benefits. In the following sections, we consider in further detail these sources of bonding and bridging social capital in communities, and how they are affected by the presence of large corporations.



## **Bonding Social Capital and Class-based Organization among Elites**

Bonding social capital among elites plays a key role in community-level activities that support social welfare. Elite organization plays a central role in a variety of such activities, including voluntary organizations and politics (Dahl, 2005). The presence of a distinct, elite class is thus a persistent influence on key civic processes, and has been proposed to be as a predictor of effective social leadership (Baltzell, 1958, 1979; Mizruchi, 2013). Civic activities such as participation in local philanthropy are a key marker of status boundaries and a prerequisite for admission to elite social circles (Ostrower, 1997).

The presence of large corporations significantly influences the degree and influence of elite participation in community affairs, by creating structures and incentives that enable elite cohesion (Aiken & Mott, 1970; Hunter, 1953; Ratcliff, Gallagher, & Ratcliff, 1979). Because the wealth of large corporations and their owners is often concentrated in local assets, they are likely to invest directly in promoting community prosperity, as committed cogs in the community “growth machine” (Molotch, 1976). Elite and corporate power are self-reinforcing; when large corporations control significant economic and social resources in a community, they possess discretion over policy changes or even relocation, yielding significant power to the elites who own and manage (Friedland & Palmer, 1984). High levels of overlap between membership in elite and the upper echelons of local corporations reinforces elite cohesion and influence (Domhoff, 1967). For instance, Hunter’s (1953) early study of community decision-making in Atlanta revealed the active role of business elites in policy-making, finding that business and community issues were resolved in the discourse of small elite circles. The combination of bonding social capital among community elites with concentrated economic power in large organizations results in a relatively organized “power elite” that is both highly connected to one

another and has wide-reaching power to shape social affairs (Domhoff, 1967, 1998; Hunter, 1953; Mills, 1956).

The presence of large corporations also enables the emergence of institutionalized norms within elite groups that reinforce behaviors benefitting the social welfare. Galaskiewicz, in his studies of the Minneapolis-St. Paul business and social elite, illustrates how personal and inter-corporate networks and institutionalized norms accounted for rates of personal and corporate philanthropy that exceeded that of almost any other American city (Galaskiewicz, 1985; Galaskiewicz, 1997). The leaders of large corporations influenced philanthropy not only through their own direct participation, but also through the building of institutions and a culture of philanthropy that shaped the behaviors of other elites.

Empirical studies support the idea that elite organization is more likely to lead to activities that benefit community welfare in communities where large corporations are also present (Useem, 1979). For instance, elites who hold central positions in community-level inter-corporate networks are also more likely to be prominently involved in the leadership of public institutions (Ratcliff et al., 1979). Marquis et al. (2013) find that local elite networks and cultural norms underpin a positive connection between corporate density and the emergence of cultural and education-oriented non-profits. On the basis of these arguments, we expect that the presence of large corporations strengthens elite networks, reinforcing the aforementioned mechanisms of elite organization that lead to activities that promote community welfare.

*Hypothesis 2a: Greater bonding community social capital among elites will increase the level of community philanthropy*

*Hypothesis 2b: Greater presence of large corporations in a community will enhance (i.e. positively moderate) the positive effects of elite bonding social capital on community philanthropy*

### **Bonding Social Capital and Class-based Organization among the Working Class**

Bonding social capital within the working class plays a prominent role in community philanthropy. The community organizing activities of the United Auto Workers union are illustrative: “activities sponsored by locals included golf tournaments, children’s summer day camps, family picnics, Christmas parties, choral and other musical groups, sportsmen’s shows, retiree drop-in centers, and hobby exhibits and demonstrations” (Barnard, 2005: 268). Because labor membership overlapped significantly with populations in need of social services, labor was uniquely positioned to understand their needs and mobilize their resources for social benefit. Working-class groups provided grassroots social services related to job training, housing, park development, transportation and healthcare that were often operated by former union members (Magat, 1999). Unions also created a range of business-like programs addressing basic working-class needs, such as medical insurance, education, retirement and credit (Bok & Dunlop, 1970), and low-cost recreational or leisure programs that brought together workers and their kin: “according to a UAW estimate, over 600,000 members participated in one or more [recreational or leisure] activity in 1960; they were joined by many more thousands of nonmember, usually family, participants” (Barnard, 2005: 268). Based on this evidence, we expect to find a positive effect of bonding social capital among the working class on community philanthropy.<sup>§</sup>

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<sup>§</sup> Accounts suggest that working-class participation in local civic organizations was frequent, but had limited power due to a lack of financial resources. As of 1968, the AFL-CIO claimed that 75,000 union members were on the boards of civic and welfare agencies, up from just 10,000 in 1950. Yet one study of civic organizations from the

The presence of large corporations might be expected to also influence this relationship. In contrast to the elites, whose organizational roles required building inter-organizational networks through other elites for activities such as deal-making and information-sharing, theory suggests that the role structures of large corporations discouraged organization among the working class. Large bureaucracies create barriers to such organization by introducing greater heterogeneity and specialization, controlling information, and centralizing organizational control among formal leaders. Some scholars have argued that the greater formalization associated with job roles in large bureaucracies has segmented the labor market, leading to a fracturing of the working class into distinct sub-groups, each with conflicting interests (Edwards, 1979). The formalization of organizational roles associated with greater organization size limits the range of discretion for class-based organization to shape the behavior of actors in the lower-class. In communities where large corporations were present, we would therefore expect bonding social capital among the working class to be less effective in activities that promote the community welfare.

*Hypothesis 3a: Bonding social capital among working-class people will increase the level of community philanthropy*

*Hypothesis 3b: Greater presence of large corporations in a community will detract from (i.e. negatively moderate) the positive effects of working-class bonding social capital on community philanthropy*

### **Inter-class Conflict, Large Corporations and Bridging Social Capital in Communities**

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1950s noted that labor leaders were frequently perceived by civic leaders as less influential than professionals and businesspeople in community affairs (Hudson, 1965, cited in Bok and Dunlap, 1970).

Because of its community-level scope, community philanthropy subsumes both the generative and divisive aspects of existing community social structure. In United States, patterns of conflict between elites and working class reflect a continuously re-negotiated compromise over the distribution of value created by local industry (Przeworski & Wallerstein, 1982). This conflict is embedded in the collective identities of these two groups, and deeply embedded in their different logics of association (Offe & Wiesenhal, 1980). Such inter-class tensions are played out at the community level through issues such as urban planning, policies that affect the distribution of civic resources, and criminal justice.

Inter-class tensions are also likely to be manifest in community philanthropy, a community-level practice in which class-based values are implicit. Past research indeed suggests that elite and working-class groups held differing beliefs as to the purpose of community philanthropy. The logic underlying the participation of elites in community philanthropy interprets it as the fulfillment of a necessary role for capitalists as benevolent stewards of institutions and social stability (Soskis, 2010). Elites used philanthropy to maintain and justify extant class divisions, explicitly pointing to philanthropy as a means to protect against upheaval in the social order (Carnegie, 1889). By contrast, labor saw community philanthropy as part of a progressive program to decrease inequality over time. Whereas elites used philanthropy as an affirmation of the existing social order, labor organization used its philanthropic activities as a means of rejecting existing patterns of inequality. We thus argue that the simultaneous influence of the elite and working-class ideologies on community philanthropy would lead to the presence of heterogeneous interests, and thereby inhibit organized community philanthropy.

Following this argument, actors attempting to participate in community philanthropy would be expected to feel tensions between this behavior and the prevailing logic of their social

class; when the classes are well-organized, we argue, these pressures will be stronger, resulting in decreased overall behavior supporting community welfare.

*Hypothesis 4a: The level of bonding social capital among working-class people will detract from (i.e. negatively moderate) the positive effects of bonding social capital among elites on community philanthropy*

Large corporations, because they involve actors from across classes, might be expected to influence the capacity of the community to overcome inter-class conflict, thus enabling or discouraging the “bridging” considered vital to community success. However, we propose that the presence of corporations will instead aggravate the intra-class conflict that undermines community social capital, and thereby its efficacy in supporting community philanthropy. We expect this to occur through two distinct mechanisms. First, the presence of large corporate structures may exacerbate existing social divisions that align with organizational role divisions, thereby inhibiting the function of bridging social capital. Social theorists have long suggested that the repeated practices of control and domination by elites of labor that are enabled by hierarchical organizations may lead to resentment and class conflict (Brown, 1978). The introduction of large, formalized bureaucracies made status boundaries that prevented collective action across class more salient, and therefore more likely to lead to exclusive behavior. Such factors would be expected to strain existing class divisions and thereby inhibit the effective functioning of community social capital.

A second explanation is that the presence of these structures might inhibit inter-class cooperation, by “crowding out” the formation of productive social relationships among actors. The development of social capital is contingent on the power relationships present within formal

organizations (Latham, 1997); ties built within a powerful formal structure are activated through bureaucratic control and thereby may inhibit the emergence of alternative arrangements that would be potentially more generative for community activities. Social capital does not organically emerge in the presence of strong formal organization; rather, the formation of ties that lead to collective benefits depend on organizational citizenship behaviors that transcend bureaucratic roles (Bolino & Turnley, 2002). Consequently, one effect of the emergence of large corporations was to displace existing social structures that provided social support both between employers and their employees: as Perrow writes of the rise of large corporations, “a bit of society disappeared: the traditional obligation that the farm owner or master craftsman or the merchant had for the welfare of his hands was not part of the new wage system. As limited as that obligation might be, it was perceptible, and could include economic support when sickness, hard economic conditions, or natural disasters had to be confronted; personal attention in family or community crises; concern with employment of employees’ offspring, and so on. This was help based upon one’s membership in a society or community, not an organization” (Perrow, 1991: 731). It merits noting that while the evidence suggests that these mechanisms of conflict will be powerful, how bureaucratic structure affects the valence of external social capital remains a subject of some debate. Some have argued that formalized relationships can play a facilitative role in collective action, or at least act in “synergy” with bonding organizations and other relationships formed outside bureaucratic contexts (Putnam, 2000). In the most extreme version of the argument, structure plays a role in disrupting unproductive social capital that would otherwise act to constrain rather than enable collective action (Heller, 1996). However, arguments for beneficial effects largely emerge from studies of developing countries, where the alternative to relationships shaped by corporate structures is an institutional void. By contrast, in

an environment where elites and labor are already in a contentious relationship, we expect that large corporate structures will exacerbate rather than replace these tensions.

Based on these arguments, we propose that the presence of large corporations in a community will exacerbate the ideological conflict between elites and working class people, ultimately resulting in lower overall effectiveness of community philanthropy.

*Hypothesis 4b: Greater presence of large corporations in a community will increase the negative effect of bonding social capital among working class people on the positive effects of bonding social capital among elites on community philanthropy.*

#### **CONTEXT: ORGANIZED COMMUNITY PHILANTHROPY**

During the twentieth century, the practice of organized philanthropy campaigns emerged in US cities as a way to increase the efficiency and reach of philanthropy in the community. Early in the twentieth century, individual charities typically solicited donations unilaterally, in particular from wealthy urban elites (Hall, 2006). Such individual philanthropic solicitation, however, was perceived as onerous and inefficient for both fundraisers and those being solicited. These challenges were well summarized in the charter of the Cleveland Federation for Charity and Philanthropy, which justified the formation of the federation thus:

“Some of the most reliable charitable institutions in the city have experienced great difficulty in raising money while other societies doing less important work have been laying up a surplus of receipts over expenditures... those known to be charitably inclined have come to be unduly burdened by the present solicitations of the representatives of various charitable organizations” (Cleveland Chamber of Commerce, 1913)

Leaders in several communities responded by forming organized federations of charities that consolidated the fundraising activities of the growing constellation of charities and their donors.



According to their organizers, these new organizations served two key functions in burgeoning local charitable sectors. First, they helped to disseminate information to donors, providing them greater visibility into the fully scope of charitable activities taking place in their cities. Second, they minimized the transaction costs of making and monitoring contributions to charities, costs that grew exponentially with the increase of both donors and charities.

By the Second World War, organized community philanthropy had spread to every major U.S. city. Early organized philanthropy efforts were elite-dominated, but financial pressures later attracted participation from across social classes. The experience of the small town of Lorain, Ohio is illustrative:

“Until the end of the 1930s the Community Chest operated in the name of the entire community but was effectively controlled by the upper stratum... community support was difficult to mobilize; the lower-status groups contributed little, if anything. This produced a series of financial crises which finally culminated in the recognition by the Chest’s leaders that they would have to find some means of mobilizing community support or disband, and the latter was seriously considered. Then the Catholic church and the professional social workers proposed the inclusion of organized labor as an alternative. The leaders of the Chest reluctantly accepted.” (McKee, 1953)

In 1947, these disparate Community Chest organizations across the United States joined together into the United Way. While all of these organizations were now part of a larger federation, they still maintained significant autonomy in their solicitations and giving. The typical United Way organization followed the direction of volunteers from the community, in particular a board of directors that recruited and appointed directors of annual campaigns (United Way of America, 1977). The primary activity of the United Way was soliciting donations within their local catchment areas, and this fundraising took place through one or more major annual campaigns focused on meeting targets set by the board and campaign directors. The overall

funding raised by the local United Way organization in each community thus provides a measure of efficacy for a shared model of organized community philanthropy.

## **METHODS AND ANALYSES**

### **Sample and Units of Analysis**

Our empirical sample included every U.S. city that appeared in the top 100 in terms of population during the period 1948-1997, a total of 130 cities. Of these, United Way conducted fundraising activities through local chapters in 129 cities at some time during the 50-year period. Due to the opening and closing of United Way chapters and missing observations on some of our variables, we tested our predictions on a dataset that includes 117 cities and 3,537 city-years.

### **Dependent Variable**

To measure organized community philanthropy, we manually looked up and recorded the total dollar amount of funds raised by United Way chapters from internal organization records housed at United Way of America. To calculate organized philanthropy per capita, we divided this amount by the total population of the city in the corresponding year, as reported by the decennial U.S. Census. We estimated population in non-Census years through linear interpolation.

### **Independent Variables**

***Bonding social capital of elites.*** To measure bonding social capital among elites, we measured the presence of *upper-class clubs* frequented by wealthy and high-status individuals in American cities. We follow the conventions of past research that observes the existence of elite social clubs in communities as a measure of elite organization (Marquis, Davis, & Glynn, 2013; Ostrower,

1997). In his influential research on elites in the United States, Domhoff (1967), identified 40 social clubs that served as meeting grounds of the elite and contributed to class stability and maintenance. A number of prior studies have used this list to proxy level of elite cohesion in US cities (e.g. Kono et al., 1998; Marquis, 2003).

***Bonding social capital of working class.*** To measure bonding social capital among the working-class, we collected measures of the level of *union penetration* at the state level. Data were collected for the years 1939, 1953, 1960, 1975, and 1980 from the Union Sourcebook (1985), and linearly interpolated to account for missing values. Beginning in 1983, these data were collected through the Current Population Survey (CPS) and tabulated annually (Hirsch & Macpherson, 2002). Organizational intensity was calculated as labor penetration of the overall workforce, by dividing union membership by the total number of employees by state as provided in the County and State Databooks published by the U.S. Census. Employee figures were calculated by interpolation where data was missing, and then these values were used to calculate the intensity of organization of labor.

***Large corporations.*** We measured the presence of large corporations in terms of the average number of employees for companies located in each community. Organizational size is “the most important correlate of diversity in organization structure” (Aldrich & Marsden, 1988) and positively and monotonically correlated with bureaucratic structure (Davis, Eisenhardt, & Bingham, 2009). To measure the presence of large corporations, we calculated the *average corporation size* by recording the average number of employees working at business establishments in each city in the years 1948, 1954, 1958, 1963, 1967, 1972, and 1997 from the City Databooks series published by the U.S. Census (United States Census Bureau, 1947 through 1997). Average corporation size for the unobserved years was estimated by linear interpolation.

We considered the benefits of alternative measures of the presence of large corporations, such as concentration ratio, but were limited by the relative absence of reliable data for the broad set of cities and years that we studied; of the available measures, average size was the most attractive option.

***Control Variables.*** To control for the level of wealth available for philanthropy, we include in our models the *per capita income* of residents of the state in which each city is located. We also include the *total population* of each city. Population data is captured from the decennial U.S. census and linearly interpolated to fill in missing values. Because our measure of labor organizational intensity is measured at the state level, we also include a measure of the *percentage urban residents* in the state in which each city is located, in order to account for the relatively greater organization of urban versus rural workers. To account for possible regional cultural effects, we include an indicator variable for whether the city is geographically located in the *northeast region* of the United States, which has been found in prior studies to have a cultural inclination to voluntarism (Hall, 2002; Marquis et al., 2013).

In a similar vein, we control for the *percentage manufacturing workers*, in order to account for possible effects of industrial composition, and also because union activity was especially prevalent in this sector. We also control for the *total business establishments* in each city. These variables were both extracted from estimates by the U.S. Census in their City Databook publications, and filled for unobserved years by using linear interpolation. From the same source, we included control variables for the *percentage government spending on public welfare* in each community, as such programs offer a proxy for the extant programs that might act as a substitute for United Way fundraising.

To control for the possible effects of learning and prior coordination among participants in organized philanthropy, we also controlled for the age of the United Way in each community. We identified the first instance of United Way or Community Chest activity in each community, including all observations, some of which preceded the observation window of our study. In some cases, this was as early as 1917. Age of United Way was then calculated as the number of years since this first appearance of a city in the data.

Finally, we control for the presence of religious establishments, which frequently correspond to obligations to the community welfare; for instance, one survey found that 91 percent of individuals participating in religious services once or more per week gave to charity, compared to 66 percent of individuals with no or minimal religious participation (Brooks, 2003). To measure religious intensity, we measured the number of *percentage church members* in the county in which each city is located. Counts of churches were obtained from the National Council of Churches 1952 census of religious organization in the United States (Whitman & Trimble, 1956), and percentages were calculated by dividing this figure by county population estimates from the same survey. We would ideally measure changes in the number of churches over our period, but were limited by the absence of comparable data over time, in part because the U.S. Census stopped collecting specific religious membership data in 1936, due to heightened concerns about government monitoring of religious activity (Finke & Stark, 2005). However, past research has found that the concentration of religious organization in communities is highly stable over time (Newman & Halvorson, 1984), suggesting that this is a dependable indicator of relative religious activity across communities during our observation period.

***Statistical models.*** To test the above hypotheses, we evaluated multiple possible modeling approaches. Because our dependent variable included many cities over time, we narrowed our

choices to panel regression models, and opted to include indicator variables for every year in our sample in order to control for possible temporal effects that were not captured by our controls. Our dependent variable and most of our independent variables are continuous and permit year-over-year variations; however, some key variables, namely the presence of upper-class clubs and religious intensity, were time-invariant, excluding the usefulness of city fixed effects. We therefore chose to include random effects on cities in our panel regression model, using the STATA command *xtreg* with the random effects option. To account for potential between-city differences in error terms, we calculated robust standard errors by clustering observations at the city-level.

## **RESULTS**

Table 4.1 provides the descriptive statistics and correlations for the variables included in our analyses. The main effects variables included in our models are relatively uncorrelated; however, we present each of our main effect findings in a separate statistical model. We also show each of our interaction effects in a separate statistical model.

**TABLE 4.1**  
**Descriptive Statistics**

	<b>Mean</b>	<b>S.D.</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>
<b>1</b> United Way giving per capita	50.1	33.1												
<b>2</b> Upper-class club	0.26	0.44	0.32											
<b>3</b> Union penetration	0.20	0.09	0.14	0.08										
<b>4</b> Average corporation size	13.4	3.79	0.33	-0.01	-0.09									
<b>5</b> Per capita income (in 2001 dollars)	19.7	6.43	0.31	0.13	-0.09	0.47								
<b>6</b> City population (in millions)	0.42	0.71	-0.07	0.46	0.07	-0.03	0.14							
<b>7</b> Total business establishments (in thousands)	7.85	16.7	-0.06	0.38	0.14	-0.10	0.05	0.90						
<b>8</b> Percentage church members	0.50	0.13	0.16	0.10	0.12	0.04	0.11	-0.01	0.00					
<b>9</b> Percentage manufacturing employment	0.47	0.16	0.15	0.01	0.48	0.34	-0.16	0.00	0.03	0.27				
<b>10</b> Percentage fovernment spending on public welfare	0.02	0.05	0.03	0.20	0.07	0.00	-0.02	0.15	0.19	0.16	0.21			
<b>11</b> Percentage urban residents	0.73	0.13	0.08	0.13	0.31	0.05	0.57	0.16	0.12	0.25	0.04	0.19		
<b>12</b> Age of United Way in community	45.2	16.0	0.35	0.18	-0.24	0.55	0.78	0.12	0.01	-0.02	-0.17	-0.09	0.18	
<b>13</b> Northeast region	0.26	0.44	0.23	0.07	0.29	0.06	0.28	-0.01	0.04	0.65	0.40	0.31	0.42	0.03





Table 4.2 presents the results of our statistical models of United Way giving per capita. Model 1 is a baseline model including only control variables. Models 2 and 3 estimate the effects of bonding social capital among elites and labor, respectively, and Model 4 estimates the average effect of company size. Model 5 simultaneously estimates parameters for the main effects of all three of these variables. Model 6 estimates the effect of the simultaneous presence of bonding social capital among elites and labor, and Models 7 and 8 estimate how the effects of bonding social capital in these two groups are influenced by the presence of large corporations. Model 9 includes the three-way interaction, estimating how the relationship between elites and labor varies with the presence of large corporations.

**TABLE 4.2**

**United Way Giving Per Capita by Community, in 2001 Dollars**

<b>Organized community philanthropy (Random effects models with year fixed effects)</b>									
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
Upper-class club		31.8** (7.4)			33.3** (7.3)	54.9** (12.8)	-1.4 (15.4)	33.2** (7.4)	62.3** (15.7)
Union penetration			48.8* (28.4)		50.4* (29.2)	81.4** (30.6)	53.9* (28.9)	101.4* (46.2)	81.1** (31.6)
Average corporation size				1.65** (0.64)	1.71** (0.62)	2.24** (0.65)	1.89** (0.58)	2.73** (0.76)	2.31** (0.70)
Upper-class club* Union penetration						-111.6* (48.1)			
Upper-class club* Average corporation size							2.58* (1.22)		
Union penetration* Average corporation size								-5.38* (2.83)	
Upper-class club* Union penetration* Average corporation size									-11.4* (5.2)
Per capita income (in 2001 dollars)	2.10 (1.71)	2.00 (1.70)	1.75 (1.70)	2.69+ (1.75)	2.24+ (1.72)	2.52+ (1.76)	2.48+ (1.74)	2.46+ (1.72)	2.46+ (1.74)
City population (in millions)	-17.2** (5.1)	-20.6** (5.3)	-17.0** (4.8)	-16.9** (5.4)	-20.1** (5.6)	-19.8** (5.7)	-20.6** (6.3)	-20.1** (5.7)	-19.2** (5.3)
Total business establishments (in millions)	24.8 (40.4)	15.9 (43.2)	-24.7 (42.4)	-2.5 (44.6)	-37.8 (52.6)	75.9 (74.3)	20.7 (54.6)	-54.9 (54.5)	37.3 (60.0)
Percentage church members	10.1 (19.9)	1.0 (17.3)	13.5 (19.4)	10.8 (19.6)	4.8 (16.2)	9.1 (16.0)	2.4 (16.1)	4.5 (16.5)	13.0 (17.0)
Percentage manufacturing employment	-15.4 (25.2)	-11.9 (24.8)	-16.4 (25.2)	-41.3+ (25.5)	-39.7+ (24.7)	-44.6+ (25.2)	-41.6+ (24.1)	-38.6+ (24.6)	-45.5+ (25.7)
Percentage government spending on public welfare	29.6 (34.3)	28.2 (34.4)	29.7 (34.4)	30.8 (34.8)	28.8 (35.2)	35.6 (34.3)	38.2 (33.4)	29.9 (35.4)	29.6 (34.0)
Percentage urban residents	24.8 (35.2)	23.0 (34.7)	13.1 (34.8)	15.7 (36.3)	1.0 (35.2)	-8.3 (34.4)	-3.3 (33.1)	-1.4 (35.0)	-8.3 (35.4)
Age of United Way in community	1.24** (0.42)	0.86+ (0.43)	1.12** (0.43)	1.22** (0.41)	0.70+ (0.44)	0.64+ (0.43)	0.68+ (0.43)	0.72+ (0.44)	0.65+ (0.44)
Northeast region	4.8 (10.2)	5.1 (9.2)	4.2 (10.0)	7.0 (10.0)	6.7 (8.9)	5.0 (8.5)	6.9 (8.6)	7.2 (9.0)	4.8 (8.6)
Constant	-103.1+ (56.6)	-75.5+ (56.1)	-83.4+ (56.0)	-134.8* (55.0)	-85.9+ (53.8)	-99.5+ (54.9)	-93.6+ (53.6)	-104.8+ (54.9)	-99.9+ (55.4)
R-squared	0.170	0.274	0.187	0.197	0.326	0.336	0.340	0.311	0.320
<p><b>Number of city-years = 3,537</b>  <b>Number of cities = 117</b>  Robust standard errors in parentheses  ** p&lt;0.01, * p&lt;0.05, + p&lt;0.1  Includes random effects and year indicator variables  Significance tests are one-tailed for hypothesized effects, two-tailed for controls  All models report clustered standard errors on each city</p>									

## **Findings.**

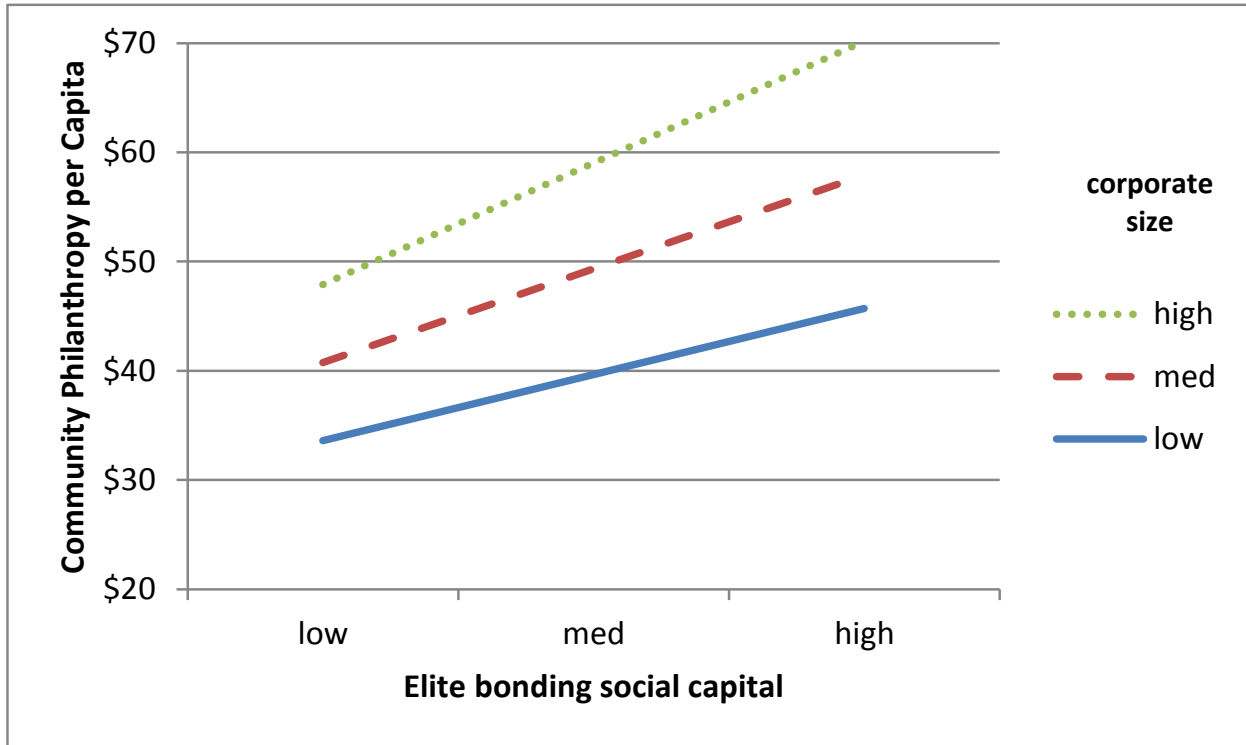
*Direct corporate engagement in community philanthropy.* Model 4 tests Hypothesis 1 regarding the effect of the presence of large corporations on community philanthropy, finding a positive and significant effect that supports Hypothesis 1.

### *Bonding social capital within class-based organizations and influence of large corporations.*

Beginning with the main effects, Model 2 tests Hypothesis 2a by estimating the effect of bonding social capital among elites on community philanthropy. The model shows that this effect is positive and significant, supporting Hypothesis 2a. Model 7 models how the presence of large corporations changes the influence of bonding social capital among elites and finds that in communities where large organizations are present, the effects of elite organization on community philanthropy are stronger. This supports Hypothesis 2b. As Figure 4.2 indicates, when corporate size is relatively high (1 S.D. above the mean), the marginal effect of elite bonding social capital on community philanthropy is nearly twice as large as when corporate size is relatively low (1 S.D. below the mean).

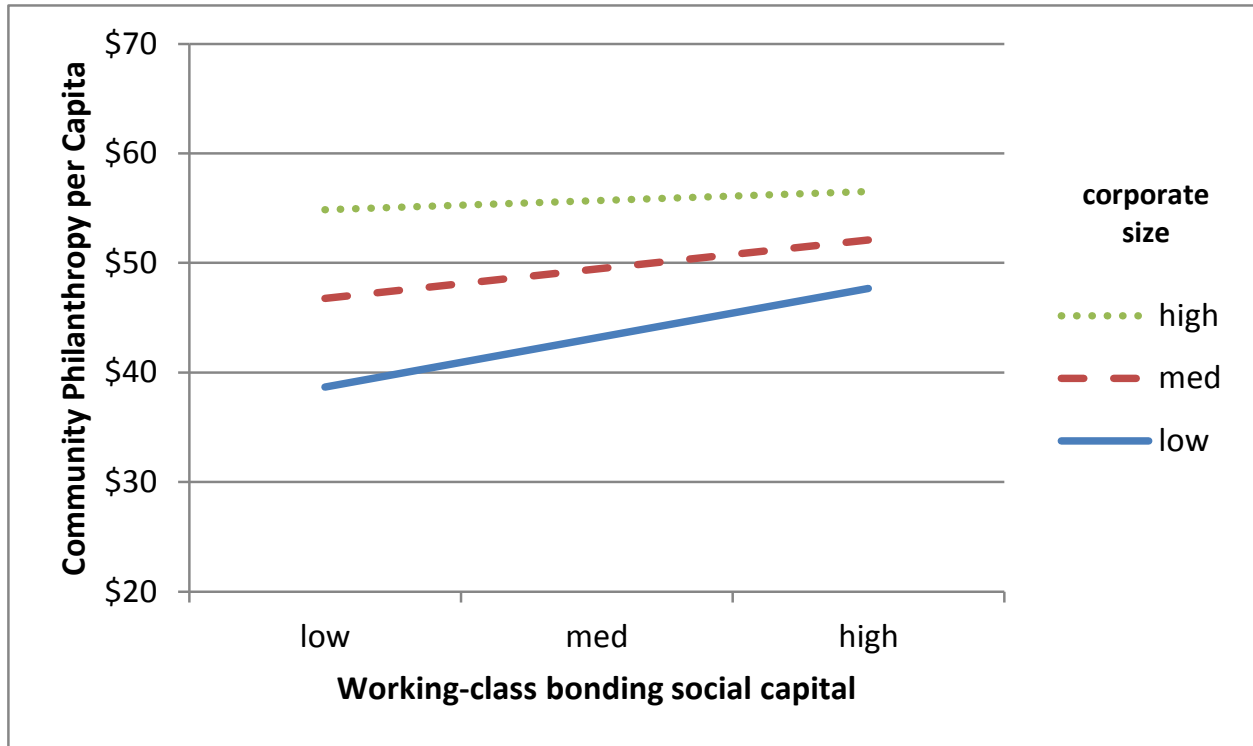
**FIGURE 4.2**

**Effects on Community Philanthropy of Elite Bonding Social Capital and Interactions with Corporate Size (medium = mean; low = mean – 1 S.D. (0 for elite); high = mean + 1 S.D. (2x mean for elite))**



**FIGURE 4.3**

**Effects on Organized Community Philanthropy of Working-class Bonding Social Capital and Interactions with Corporate Size (medium = mean; low = mean – 1 S.D.; high = mean + 1 S.D.)**



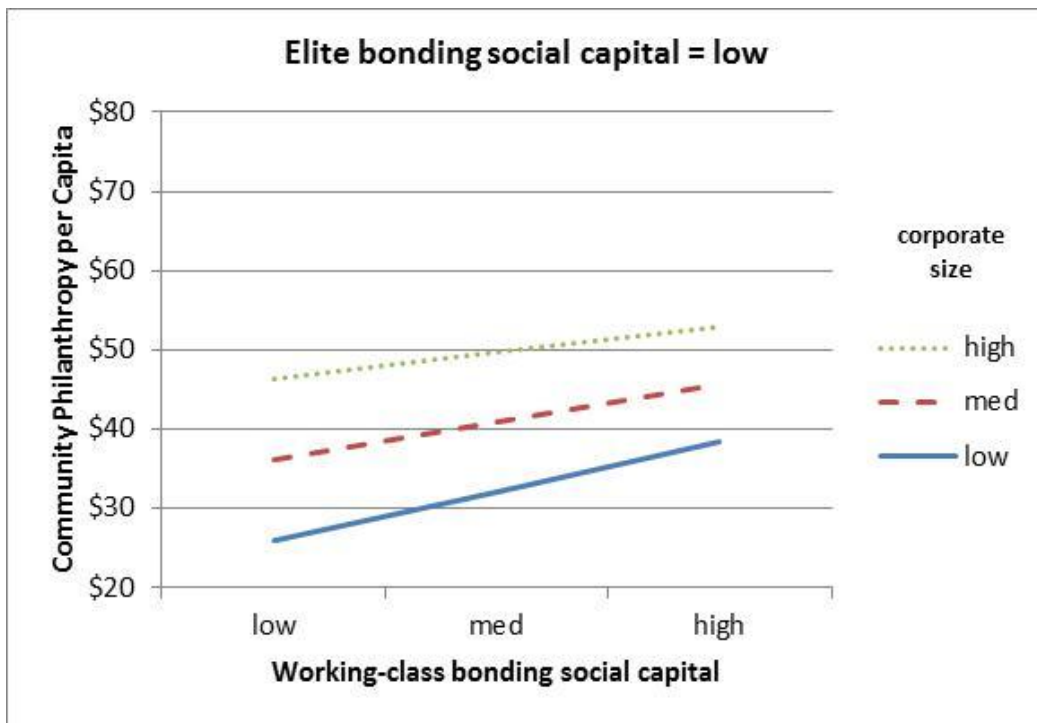
Model 3 tests Hypothesis 3a, finding positive and significant effect of working class bonding social capital on community philanthropy. Model 8 tests the effects of the presence of large corporations on the influence of working class bonding social capital and finds that in communities where large organizations are present, the effects of working class bonding social capital on community philanthropy are weaker, supporting Hypothesis 3b. Figure 4.3 shows that when corporate size is relatively high (1 S.D. above the mean), the overall level of community

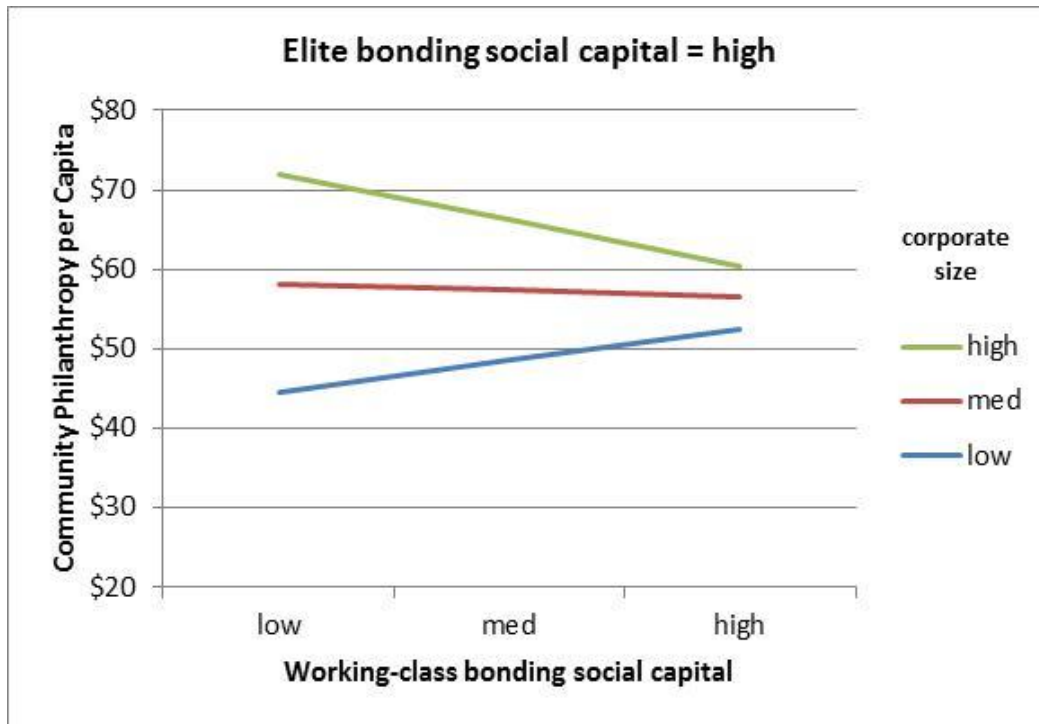
philanthropy is higher than when corporate size is low; however, the marginal effect of working-class bonding social capital on community philanthropy is reduced to a negligible level.

***Inter-class conflict and influence of large corporations.*** Model 6 tests the effects of bridging social capital between elites and labor by including an interaction effect between bonding social capital among elites and bonding social capital among the working-class, finding a negative and significant effect that supports Hypothesis 4a. Model 9 tests how the presence of large corporations influences the effects of this interaction by estimating the coefficient on a three-way interaction between average corporate size, bonding social capital among elites and bonding social capital among the working-class.

**FIGURE 4.4**

**Three-way interaction effects on Community Philanthropy of Working-class bonding social capital, corporate size elite bonding social capital (high in first chart, low in second chart) (medium = mean; low = mean – 1 S.D. (0 for elite); high = mean + 1 S.D. (2x mean for elite))**





Our findings suggest that in communities where large corporations are present, the negative effects of the interaction between elites and the working-class are greater, providing support for Hypothesis 4b. As Figure 4.4 indicates, when elite social capital is low, the marginal effects of increased bonding social capital among the working-class are positive and only minimally influenced by the presence of large corporations. However, when elite social capital is high, the marginal effects of working-class bonding social capital are highly sensitive to the presence of large corporations, and even negative when average corporate size is relatively high (1 S.D. above the mean).

## DISCUSSION

In this study, we theorized two mechanisms by which the presence of large corporations influenced community philanthropy: (1) direct participation in community philanthropy by corporations, and (2) corporate influence on community social capital present within and

between class-based organizations. We tested our hypotheses on a 50-year, longitudinal dataset on community philanthropy in U.S. communities. As expected, we find that the presence of large corporations indeed is associated with higher levels of community philanthropy. However, the presence of large corporations also indirectly influences community philanthropy through its effects on the community's social capital. In particular, the presence of large, bureaucratic corporations strengthened the effect of bonding social capital of elite organizations on philanthropy, but weakened the equivalent effect of bonding social capital within the working class. Finally, our findings suggest that the presence of corporate structure strained inter-class relations, further exacerbating the negative effects of inter-class conflict on community philanthropy.

Recent organizational theories explaining the nexus of business and society have typically focused on corporations' strategic concerns and outcomes, such as initiatives that address social issues and philanthropy to local causes. Such an approach is consistent with a general tendency among researchers to turn to instrumentality as a way to explain the behaviors of organizations, particularly large corporations (Dobbin, 1994); a smaller number of studies considers the non-instrumental spillovers of corporations on charitable organizations through activities such as philanthropy (Marquis et al., 2013). Our research calls attention to an alternative, indirect mechanism that is relevant to corporations' social performance, but typically falls outside the purview of strategic management. It thus suggests that corporations interested in their influence on the broader community should consider how their formal structure enables or disrupts important community-level practices. Corporations might thus consider the relationship between their structure and community social capital, recognizing that this provides an opportunity to influence not only provides the social context in which they operate, but also the



well-being of community members, including both organizational members and individuals not directly involved in the activities of the firm.

By considering how large corporations influence social practices outside their formal boundaries, our study attempts to answer the call made by several scholars (Hinings & Greenwood, 2002; Stern & Barley, 1996) to reconsider organizational theory's "neglected mandate" to study how organizations affect the broader social systems in which they are embedded (Stern & Barley, 1996). Our study of the effects of organization structure on the cohesion of broader social structures thus responds to calls to study the "compatibility of the institutional patterns under which the organization operates with those of other organizations and social units, as related to the integrative exigencies of the society as a whole" (Parsons, 1956). Early studies of the consequences of large corporations on society focused on effects on individuals, such as the social construction of the "organization man" compliant to organizational control, and therefore de-individualized by organizational interests and norms (Whyte, 1956). This research noted that workers' experiences of anxiety and ambivalence in organizational roles were not idiosyncratic, but could be viewed as symptomatic of the bureaucratic system inherent to large organizations, whether private businesses or government (Adler & Borys, 1996; Presthus, 1962). Our findings extend this perspective by showing that the social consequences of organizational structure may be manifest not only in individual attitudes and psychological well-being, but in behavioral outcomes at higher units of analysis, in this case the community level.

Finally, our study joins other recent work that highlights the importance of the geographic community as a level of analysis, a social unit that profoundly influences organizational processes but has traditionally been less-studied (Lounsbury, 2007; Marquis &

Battilana, 2009). In particular, it highlights the role of community social structure as an important aspect of organizational life. Our findings suggest that the bureaucratic structure of large corporations plays an important role in the cohesion of community social capital, a community feature to which a range of community outcomes may be attributed (Adler & Kwon, 2002; Putnam, 2000). We differentiate between bonding and bridging as dimensions of social cohesion that both contribute to the efficacy of community-level processes enhancing social welfare, and that align with structural aspects of corporate bureaucracy. The directionally different effects of large corporations on these types of social capital that we observe suggest that corporate influence should be considered in its separate, and joint, influence on these bases of social cohesion.

Building on these insights, future research might examine how the presence of large corporations affects community practices other than philanthropy. For instance, research might examine the role that large corporations play in processes by which social capital enables the construction of shared meaning, such as in the shaping of community identities (Howard-Grenville, Metzger, & Meyer, 2013). Voter mobilization, maintenance of public spaces, and disaster recovery are all examples of processes of community voluntarism and resilience that would be expected to depend heavily on social cohesion, and thus might be partially shaped by the indirect effects of large corporate structure. Whereas we have investigated how large corporations influence the efficacy of existing social capital, future research might also investigate the role of large corporations in the processes by which community social capital is transformed over time.

Our study has a number of limitations that bear noting. Our measure of organized community philanthropy was constrained by the unavailability of data regarding the specific

breakdown of gifts, as well as how these resources were allocated to social services agencies. This subject has been studied in some detail by past studies (see e.g. Brilliant, 1990; Seeley, 1989), but the differential effects of the presence of large corporations on specific community actors' participation in community affairs remains an important task for future research. A second key limitation of our study is analysis of the role of private, civic and religious organizations in community-level practices such as organized philanthropy. Although we are able to control for religiosity at a single point in time, data collected on such organizations at the community level is not sufficiently complete to incorporate the presence of such organizations as independent variables. Similarly, our measure of bridging was limited by data availability to a measure of inter-class conflict; assembly and testing of direct measures of bridging social capital over this time period would certainly have the potential to yield additional insights.

Ongoing study of the business-society nexus yields an increasingly nuanced and complex understanding of these linkages. Future progress in this arena will come in part from illuminating the consequences of corporate embeddedness in modern communities, as well as the ways that corporations strategically manage these consequences. If we are indeed to fulfill our mandate of “understanding the consequences of organizations” (Hinings & Greenwood, 2002), we will benefit from a holistic view as we further theorize and examine the mechanisms by which corporations influence social concerns.

## **CHAPTER 5.**

### **CONCLUSION**

In recent years, organizational scholars have called for increased research on the nexus of business organization and the welfare of society. To study this intersection, it is argued, is one of the key mandates of organizational research. It is also perhaps the area of social science that organization studies, which combines theories of administration with an interest in broader sociological mechanisms, is most uniquely positioned to address. Yet the field has evolved, arguably, toward a more specialized and much less holistic version of this vision (Stern and Barley, 1996). Given this evolution, it would be easy to forget that many of the scholars and studies that germinated our field were inspired by organizations that deeply embodied the tensions between bureaucracy and social welfare, such as social service agencies (Simon, 1947), universities (Pfeffer and Salancik, 1974), hospitals (Perrow, 1967), and even revolutionary organizations (Selznick, 1952).

The phenomena studied in this dissertation remind us that the interactions between business organization and social welfare is more important than ever. They also introduce new puzzles that elude prior theory. This dissertation attempts to address these puzzles in a way that offers both immediate managerial guidance and theoretical insight. Specifically, recent research on corporate social responsibility has advanced understanding of social performance as an output of corporate activity, but has viewed corporate influence on society as tightly linked to business outputs. As a result, relatively little is known about how corporations shape the social capital, and thereby the social welfare, of the broader, community-level social systems in which they are embedded. Among smaller organizations, a trend toward hybrid social ventures aspires to combine the strengths of the multiple organizational forms. Recent research has identified a

number of mechanisms and tensions particular to hybrids, but has yet to tie these to organizational outcomes, such as the propensity to found hybrids, and the viability of new hybrid social ventures.

In Chapter 2, I examine the question of hybrid social ventures' antecedents, and specifically the role of individual imprinting on organizational founders. I argue that past imprinting research has generally not explained differences in the effects of indirect, vicarious imprints, and direct imprints, and in particular how these differences affect the interaction of multiple imprinting experiences. In a study of the founding of social ventures, I find evidence that both indirect and direct imprints explain increased adoption of aspects of the business form, thus creating a hybrid social venture. However, results differ when considering multiple imprints: direct experience of multiple imprints appears to increase the degree to which these imprints are combined, whereas multiple, indirect imprints appear to "crowd out" one another, decreasing the occurrence of new combinations. In addition to providing an initial exploration of the antecedents of hybrid social ventures, this study also contributes to a more specific understanding of the social learning processes by which imprinting influences individual behavior, particularly when individuals are faced by multiple, potentially dissonant social environments. Given the relationship of new combinations to innovation, such processes should be of particular interest to scholars studying the social antecedents of individual-level innovation and entrepreneurship.

In Chapter 3, I develop and test theory for how hybridity influences the viability of new social ventures. Drawing on theoretical traditions that offer insight into how organizations experience the combination of forms both internally and externally, I suggest that hybridity will pose significant threats to these organizations' viability. Specifically, because hybrid

organizations combine aspects of multiple forms, they fail to align with well-understood social categories that govern the allocation of financing and other external resources. Within the organization, the combination of multiple forms invokes multiple, potentially conflicting schema. However, I further find evidence that practice integration – or the extent to which individual organizational practices simultaneously advance the goals of both forms – attenuates these effects, by providing a means by which hybrid organizations operating in diverse social environments can simultaneously support the demands of multiple forms. These findings have direct implications for the study of social enterprises and hybrid organizations. They also suggest new avenues for studying the emergence of new, innovative organizations as a multi-level process shaped by institutional multiplicity and conflict.

Finally, in Chapter 4, I developing and test theory for how large corporations interact with community social capital to influence community-level processes by which social welfare concerns are addressed. Consistent with prior research on corporate social responsibility, I find evidence for a direct contribution of corporations to these processes. More interestingly, however, I theorize and find support for the proposition that corporations also influence these processes indirectly, through their effects on the social capital of the communities in which they are embedded. Further, these effects appear to be in different directions for different types of social capital: the presence of large, bureaucratic corporations strengthened the effect of bonding social capital of elite organizations on philanthropy, but weakened the equivalent effect of bonding social capital within the working class. Finally, the findings suggest that the presence of corporate structure strained inter-class relations, further exacerbating the negative effects of inter-class conflict on community philanthropy.

Understanding the relationship between business organization and social welfare concerns is a founding interest of organization theory, but its importance goes beyond institutional obligation. As the studies in this dissertation illustrate, contemporary shifts in the linkages connecting business organizations to social welfare concerns have tested the viability of not only individual organizations, but also the functioning and self-maintenance of larger organizational and social systems. Hybrid entrepreneurship that combines traditional organizational forms of business and charity offers a source of innovation and institutional change. Yet the viability of such hybrid ventures is threatened by the very institutional structures from which it is composed. Simultaneously, the rise of large corporations has led to new loci of control and structure for both economic activity and community life. It is apparent that this rise have led to shifts in many dimensions of societal functioning, yet the specific direct and indirect mechanisms by which these organizational structures shape social cohesion and efficacy have only begun to be explored.

In recent years, it has become clearer than ever that the relationships between business organizations and society are vast and our current theories limited. More than ever, the multiple institutions of society converge in organizations, offering the promise of generative solutions to social problems, but also the potential for tension and conflict. This dissertation offers some new directions and evidence for explaining this complex organizational balance in which business and society co-exist. It is my hope that this research contributes to a broader intellectual and practical project, among organizational scholars and with others, that seeks to understand the changing role of our central unit of analysis – the organization – as a building block for a society in which all people thrive. On this project, there is a great deal more work to be done. I stand in awe of the possibilities it presents.

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