2

Variations and Dynamics of Hybridity in Different Types of Hybrid Organizations

Staffan Furusten and Sven-Olof Junker

2.1 Introduction

In this chapter, we explore the general characteristics of three types of hybrid organizations: *business cooperatives*, *mutual companies* and *state-owned enterprises*. They all operate in markets and their main financial source is sales, but they also all have extensive experience and a long history of taking social responsibility of different sorts. The examples in the study are constitutional hybrids with a long history, which means that they have managed to survive as market actors while keeping their original organizational form. In this chapter, we explore to what extent this also means that their original social mission still guides their respective affairs and whether, in this regard, there are similarities or differences between the three forms of hybrids in focus. The intention here is to show possible variations in and the dynamics of hybridity by analyzing

S. Furusten (✉) • S.-O. Junker
Score, Stockholm University, Stockholm, Sweden

Stockholm School of Economics, Stockholm, Sweden
e-mail: staffan.furusten@score.su.se; svenne.junker@hhs.se

S. Alexius, S. Furusten (eds.), *Managing Hybrid Organizations*,
https://doi.org/10.1007/978-3-319-95486-8_2

how different hybrid organizations refer to their organizational legacy in contemporary management texts. The chapter ends with a discussion of the relations between institutional conditions in different contexts and the emergence of the kind of hybrid organizations explored here.

First, we begin with a brief background of the hybrid organizations with a directly stated social mission studied. We account for how these organizations can be seen as predecessors of modern democracy and the welfare state in Sweden and demonstrate a variety of ways that organizational legacy is used in managerial texts about these organizations. *Second*, we elaborate on when and to what degree organizational legacy is used by different categories of hybrid organizations and the extent to which this can be traced to specific institutional conditions. *Third*, we close by summing up the main conclusions.

2.2 The Dynamics of Hybrid Organization and Contexts of Varying Institutional Complexity

In the first chapter of the book, organizational hybridity was discussed in general terms. The main arguments presented were that hybridity is neither new for 'ordinary' organizations nor valid only for the type of organizations referred to in the emerging literature on the topic as the 'social enterprise.' In fact, as also argued by Doherty et al. (2014), most studies of hybrid organizations have had a descriptive purpose and have concentrated on defining the characteristics of hybrid organizations. There are, however, interesting differences between different types of hybrid organization that are worthy of much more analysis and exploration.

To further our understanding of the dynamics of hybrid organization, we have studied 15 'old' business cooperatives, mutual companies and state-owned enterprises (5 in each category), all based in Sweden. The study is based on various types of data, and the overall approach is qualitative and explorative (e.g. Stebbins 2001). The principal set of data comprehends public documentation from the cooperative, mutual and state-owned companies with a social mission studied in the form of annual reports, sustainability reports, websites and official statistics.

All of the analyzed documents were published in the first half of 2016. As reference material, we have also made use of open-ended interviews and ethnographic field notes from approximately 30 formal and informal meetings with managers in these hybrid organizations and with interest associations representing business cooperatives and civil society corporations between 2014 and 2017. The chapter builds on observations from and of the organizations presented in Table 2.1.

Although we divide the analyzed hybrids into the three broad subcategories of corporations, the categories are not necessarily uniform. Rather, the selection of examples is based on the fact that we expect them to represent different groups within these subcategories. Hence, they have been selected in an explorative mode to represent variations between different types of hybrid organizations. The annual reports and sustainability reports for 2015 for all of the selected organizations were coded using NVivo software based on the three aspects of historical legacy described earlier. Managerial texts presented on the selected organizations' websites have also been included as empirical data and have also been coded. In total, the empirical dataset corresponds to approximately 1000 A4 pages of text.

2.2.1 Historical Background: Hybrid Organizations and the Rise of the Modern Welfare State

Sweden is normally described as a strong democracy with a relatively large public sector that in many respects focuses on improving the agency and welfare of its citizens (Premfors 1998). However, such a strong state has only existed since about the 1950s. Looking further back in time, like most other Western countries Sweden was a poor and rural country. At the turn of the twentieth century, the country was run by a plutocratic government based on voting rights for only one-fifth of the male citizens and women's suffrage still decades away. As in most other European states at that time, growing urbanization and industrialization had given rise to a number of critical societal challenges that could not be handled by either the existing and at that time weak state or the existing businesses and NGOs.

Table 2.1 Brief background of empirical selection in the study

Company	Industry	Founding year	Background
Business cooperatives			
Arla	Dairy	1880	Started as association of farmer cooperatives to organize milk sales
Coop	Grocery retail	1889	Initiated to coordinate the logistics and pricing of food products
Fonus	Funeral services	1969	Formed as an amalgamation of funeral associations to also produce coffins
HSB	Housing	1923	Initiated to address growing urbanization and construct inexpensive housing
Lantmännen	Agriculture	1905	Formed as a national association of farmers to coordinate quality, purchase prices and transportation
Mutual companies			
Alecta	Insurance	1917	Started to provide private sector employees secure pension savings
Bliwa	Group insurance	1948	Formed by 12 life insurance companies to hamper public regulation
Folksam	Insurance	1908	Initiated to provide low-income workers with insurance options
Länsför-säkringar	Banking and insurance	1801	Mutual insurance concerns started in different regions during the nineteenth century, with national reconciliation in 1917
Skandia	Banking and insurance	1855	Founded to provide citizens with a mixed portfolio of insurance offerings
State-owned enterprises			
Samhall	Recruitment	1980	Established to coordinate a number of municipal initiatives to provide work to people with functional impairments
SBAB	Banking	1985	Founded to finance and manage public housing loans
SJ	Rail transport	1856	Established as public agency and state railway operator in parts of the country
Systembolaget	Liquor retail	1955	Established to limit alcohol’s negative impacts on society
Vattenfall	Energy	1909	Initiated as the Royal Power Board to provide electricity at competitive prices

Given the context at the time, 'going collective' was often considered the right and only way forward. Many local cooperative consumer associations were founded in order to improve the living conditions of the impoverished and socially vulnerable by providing higher quality food at lower prices. By the turn of the twentieth century, some of these organizations undertook a joint effort to establish a national federation encompassing all of the local consumer associations, now called the Swedish Cooperative Union (KF, which later formed Coop). Since this federation's mission was to improve living conditions for its members and insurance had been out of reach for many of its members, the organization further initiated the establishment of Folksam, a mutually owned insurance company, for its members in 1908.[1] The already-existing actors at the time, including private firms in the market and public organizations, did not have the tools to tackle these challenges.

Both business cooperatives and mutually owned companies are normally grouped under the concept of 'collective organization' (Michie et al. 2017). There are nevertheless a number of smaller differences worth elaborating upon before moving forward in the analysis. Most importantly, ownership structures can differ between the two forms. The owners of cooperatives are either producers or the consumers themselves. Most consumer cooperatives were historically established for what one can call 'practical' reasons. For instance, they helped to coordinate the distribution of goods and to set up shops and supply chains, all of which helped to suppress production monopolies and cartels. Goods thereby became cheaper and the benefits of membership were obvious. Producer cooperatives have, similarly, also typically been founded to improve quality and achieve economies of scale among many producers. One of the cooperatives in our study, Lantmännen, is a producer cooperative for farmers founded in 1905. The cooperative currently communicates that this was the first initiative that allowed for cooperation between farmers from different regions in the country. The claimed purpose was to increase product quality, decrease purchasing prices and transportation costs and create a platform for the exchange of knowledge and experience among farmers.

[1] See Chaps. 3 and 4 in this volume for more details about the establishment of Folksam.

A mutually owned company, on the other hand, is owned by its customers. Once you sign up for and purchase an insurance issued by a mutual company, for example, you also become one of its owners. In our interviews with and observations of managers at Folksam, a large mutual insurance company, the purpose for this organizational form was expressed as being to provide ‘utility to the owners’ rather than dividends, as is the purpose of listed companies. A representative of Skandia, another company with a long history in the insurance industry, once a limited company but which recently (2014) became a mutual organization, described its vision as one of helping to facilitate a ‘richer life for the community of owners,’ and not necessarily always in terms of monetary benefits. In their role as mutual insurance companies, both Länsförsäkringar and Skandia adhere to regulations that mandate specific levels of risk capital. Any accumulated surplus above this limit, however, can be used for the owners/customers, to help to give them a richer life or however the companies choose to safeguard their owners/customers interests in the long term in a sustainable way (Alexius et al. 2017).

As individual organizations and as groups of organizations, cooperatives and mutual companies are sometimes categorized as political actors, in the sense that they are based on ideological claims for a better society. They exist to improve and to ‘do good.’ Much more recently (in 2017), the interest organization Co-operatives Sweden was formed to disseminate knowledge and to help to modernize the image of the cooperative movement in Sweden. The Co-operatives Sweden organization undeniably features the political objectives of the cooperative movement by communicating that ‘democracy, sustainability, longevity, involvement and profitability will permeate the work at all times.’[2] As political actors, they can be viewed as complementing the state, municipalities and counties in bringing services and benefits to citizens.

Correspondingly, state-owned enterprises often integrate a strong political position into their operations. For instance, the Swedish Local Government Act stipulates that companies owned by either municipalities or counties must serve the public interest without the primary purpose of making a profit. Many of the established state-owned enterprises

---

[2] svenskkooperation.se.

also have clearly stated social mission, and those with distinctly profit-making objectives have come under scrutiny of late for making political trade-offs in their operations (Alexius and Cisneros Örnberg 2015). One such example in our study is the state-owned enterprise Systembolaget, which was founded in 1955 as a direct consequence of a government monopoly on the retail sale (apart from licensed restaurants and bars) of alcoholic beverages in the country. Systembolaget was moreover instituted with the expressed social mission of controlling alcohol consumption in order to reduce negative health impacts on the population. Another example is state-owned energy corporation Vattenfall, which is also one of Europe's major retailers of electricity and heat, whose published reports communicate that it has played an important part in the building of a prosperous and modern Sweden. For most of the twentieth century, Vattenfall's operations were actually managed by a governmental agency. Its political mission of developing the country's hydroelectric power, that is, to supply industry and citizens with inexpensive and sustainably produced electricity, nonetheless remains at the heart of the company's public profile.

These short narratives are used to demonstrate that business cooperatives, mutual companies and state-owned corporations all operate in the market sphere as corporations, while they actually exist (and were founded) to serve stakeholders rather than shareholders and, as such, qualify as hybrid organizations in the generic meaning. Specifically, in the case of cooperatives, the stakeholders being served are members of the association, meaning that the companies also operate in the civic sphere. Moreover, since they all cite some form of public benefit as their core mission, they can also be seen as operating in the public sphere. From an organizational perspective, this means that these types of hybrid organizations per se pool competing institutional logics, such as the logics of the for-profit corporation and the concept-based association (as in the case of the business cooperative owned by its members), for the sake of realizing public benefit. The blend of logics is perhaps most striking in the case of state-owned enterprises, since the logics of political control and civic value are mixed with the logic of profit-making. In this respect, we argue that the ability to handle mixed logics in general management has been the goal from the outset for the hybrid organizations examined in this chapter. These circumstances should spur researchers to scrutinize how managers handle this hybridity and the role of narratives of organizational legacy for gaining legitimacy.

2.2.2 Role of Organizational Legacy in the Hybrid Organizations Examined[3]

We find that the social mission still serves as a core value in the public reporting of the majority of the analyzed mutually and cooperatively owned corporations. In annual reports, on websites and in ethical codes of conduct, as well as in the sustainability reports we have studied, a narrative of organizational legacy often receives top billing. Organizational legacy is also frequently cited in presentations, expressed verbally in meetings and appears in public credentials. These narratives are used to explain why the companies were established and which social problems they have attempted to solve, as well as to account for new social challenges these cooperatives and mutuals have taken on along their path of development.

We observe that organizational legacy occupies a central role in managers' efforts to highlight social responsibilities. Going 'back to one's roots,' for instance, seems to be a core strategy for communicating corporate social responsibility (CSR). The large cooperative retail firm Coop, for instance, claims to have had a long-term commitment to sustainable development, listing projects that date back almost 100 years as a way of expressing that the company's goals remain intact. Another cooperative, housing firm HSB, communicates how it has launched a program to develop affordable and efficient apartments to celebrate its approaching 100th birthday. Likewise, cooperative funeral agency Fonus identifies the

[3] Our analysis of the empirical data in this section focuses on the three aspects of organizational legacy presented in public communications: (1) *Organizational legacy as a basis for legitimacy*, that is, how the examined organizations use historical accounts as motives and justifications of current operations as well as strategic decisions and goals, (2) *The social mission as input to historical narratives*, that is, the extent to which descriptions of the organization's original social motives are used as elements of communicated narratives and (3) *Handling of CSR demands using references to the past*, that is, how contemporary institutional demands on business corporations in the Western world are handled with respect to the narratives on organizational legacy presented.

handling of social challenges as its chief purpose since its establishment in 1969. The main purpose of its business, Fonus claims, is still to act as a 'counterforce' to economic injustices and to provide everyone access to what the company calls an 'honorable memorial.'

Profiling the organization as a predecessor of the welfare state also seems to be a central part of historical narratives communicated by some of the mutual companies studied. One insurance company (Alecta) claims to be one of the 'architects' of the Swedish occupational pension plan system. As reported in its annual report for 2015, since its start in 1917, Alecta has been 'bold and far-sighted' and therefore 'a core part of the construction of a more modern and safer Sweden.' Folksam, a mutual insurance company and one of Alecta's competitors, emphasizes in its annual report and its historical legacy the fact that, since its establishment, it has unceasingly sought to offer insurance to people facing challenging social circumstances and marginalization. The insurance company Bliwa, owned mainly by trade unions and other mutual companies, does not communicate its social mission as distinctly. Bliwa claims instead that its goal of promoting healthy working environments for its owners has been its main mission since its start in 1948.

Organizational legacy is not as extensively communicated by the state-owned companies studied. For example, SBAB, a state-owned bank, maintains quite a low profile regarding its historical social mission.[4] Neither does major Swedish train operator SJ mention its historical roots (from 1856) in its recent financial and sustainability reports. Rather, these state-owned enterprises to a larger extent connect their social missions to current government policies. For instance, SJ states that it acts as a 'critical voice in society' by engaging in constructive dialogues with stakeholders to raise awareness about adopted climate goals and the CO_2 emissions of different forms of transport.

State-owned Systembolaget, on the other hand, claims that the impetus for its creation in 1955, that is, to sell alcohol without a focus on profits, remains a top priority for the company. One recent decision that seeks to enforce this legacy is that customers going through the check-out at Systembolaget liquor stores now encounter a sign asking, 'Hey, did you

[4] For more details about SBAB, see Strandqvist (2018).

change your mind?' next to a cart where they can place bottles they decide not to buy. The company's official reports feature quotes from executives and representatives stating that they are proud of the company's social accomplishments.

The organizational legacy of the public enterprise Samhall is framed in a slightly different manner.[5] In 1980, the state decided to integrate several municipal companies into one national organization with regional offices. Cost-effectiveness and corporate governance appear to have been the major goals for integration and reforms since then, but they have been undertaken without changing the company's primary mission to create stimulating jobs for people with functional impairments that reduce their capacity to work. The company's vision, as presented in annual reports, is to contribute to a society where everyone in Sweden can function as 'an asset' in the labor market.

In sum, a hybrid's organizational legacy with regard to its orientation, core mission and length of service seems to be a crucial aspect of their public communications and for promoting the legitimacy of their current operations. In particular, most of the cooperatives and mutual companies seem to exhibit pride in their heritage and founding impetus to solve social problems by bringing together, promoting, representing and defending their main stakeholders. The state-owned enterprises examined frequently also highlight the historical rationale. However, their organizational legacy is positioned as neither a hindrance nor a boon when it comes to pursuing desired outcomes. Rather, managing the organization as a limited company is often depicted as a cost-effective way of fulfilling the adopted political goals of the organization (Alexius and Cisneros Örnberg 2015).

2.2.3 To Be, or Not To Be Different, That Is the Question

So far, we conclude that managers in the organizations examined are able to leverage the organization's legacy in an attempt to reach current goals.

[5] See Chap. 10 in this volume for more details about Samhall.

Research indicates that historical aspects of organizations can further be used to produce a profile of 'authenticity' for external audiences (Foster et al. 2017). Our study indicates that the examined cooperative and mutual companies frequently point out that they are fundamentally 'different' from regular companies. In many cases, this 'authenticity' is framed as a justification for sidestepping a commitment to conventional business rationale. Characterizing the companies as different from competing companies seems to grant some latitude for unconventional maneuvers and actions. This contrasts with what we see regarding the strategic positioning of state-owned enterprises, where the hybrids studied commonly aim to describe themselves in terms of 'ordinary' firms.

Many of the cooperative and mutual companies have enacted a primarily stakeholder-focused approach to operations, in contrast to the shareholder focus normally associated with profit-making companies. Several of the cooperative companies specifically voice their intention to take responsibility for the entire value chain, adopting a more comprehensive approach than normally adopted by corporations. In one of the cooperatives, a stakeholder perspective focusing on operating responsibly across the value chain is also combined with a broader concept of sustainable consumption, categorized as a foundational element of achieving the goal of sustainable development. Alecta, one of the mutual insurance companies, calls itself a 'different' pension firm, citing the following reasoning: 'We do not advertise. […] We do not sell any funds, we pay no commissions, and we have no fancy office networks.' Managers of the company claim that the primary focus of the company is optimal protection of the customer/owners' interests in maximizing pensions.

This stakeholder perspective is also used to question the centrality of profit as the chief organizational goal. The annual reports of several of the mutuals note that the basic premise of insurance companies is to reduce costs by sharing risk. However, Folksam states: 'We also share profits.' This is therefore not a wholesale rejection of profit, but rather a redefinition of the rationale behind profit as merely a matter of cost efficiency and economies of scale. Moreover, some hybrids in the study are portrayed as being different because they are more open and democratic. Fonus, the cooperative funeral agency whose members are nonprofit associations, for instance, asserts its organizational authenticity primarily by referring to democratic values. It states that all of the members of the organization have the power to elect representatives who in turn make essential decisions for company operations. This is clearly authentic compared to shareholder-focused limited companies.

In the companies' official reporting, such differences are often profiled as advantages in terms of conducting profitable business while simultaneously taking on societal challenges, in short, adopting CSR. This authentic and unique class of organization has some leeway when it comes to jettisoning some of the institutional demands normally associated with traditional companies. This helps them to justify legacy as something essential for successfully carrying out the role of change agent in the march toward economic and social sustainability. Nevertheless, finding the right balance is not always easy. Our study indicates that mutual companies, and even more particularly cooperatives, sometimes face problems in raising financial capital. Moderate profit expectations possibly decrease the interest of investors. Instead of relying on organic growth, Arla, a food-producing farmer-owned cooperative, devotes a large portion of annual report to analyzing the problem of raising capital for global expansion. Based on this problem, the cooperative has decided to issue a new type of financial bond aimed at institutional investors. This decision is characterized as a 'substantial shift' toward market logics in the cooperative business and hence toward becoming less different from the ideal-typical firm.

The examined state-owned enterprises portray themselves more as organizationally similar to progressive business firms. In its public communications, energy company Vattenfall, for example, emphasizes that it aims to be a leader in sustainable production by, among other things, referring to its commitment to becoming climate neutral by 2050. This long-term future perspective signals two sides of the company's narrative: first, that the firm's production is currently not fully sustainable and, second, that changes in external governmental policies have implied new strategies for the company. Vattenfall's annual report refers to the UN climate agreement (2015 Paris Agreement) as 'fundamental for establishing the political framework needed for energy systems of the future.' This viewpoint corresponds well with the typical position of companies: that the state is responsible for designing regulatory institutions, to which companies adapt their structures and strategies. In this sense, the government, not the companies per se, takes the main responsibility for societal operations.

Profits also occupy a more central position in the state-owned enterprises in our study. Some acknowledge that some of the profits are reinvested in the company, but most state-owned enterprises are instructed by government directives to raise profits for the benefit of the state. It is, however, also claimed that 'active sustainability measures do not hinder business skills.'[6] Despite claims communicated by state-owned Systembolaget, that the company is largely disassociated from profits, the annual report nevertheless states that the company aims to achieve 'cost-efficiency and business-mindedness.' Sweden's largest train operator SJ similarly presents positive reports on increased operating profits and margins, while signaling the good it does for society, hence implying that profit and CSR go hand in hand. Thus, we observe that these state-owned enterprises have specific goals set by the state (the owner) of providing a source of income for the state (C.f. Alexius and Cisneros Örnberg 2015).

It would seem that the respective missions and institutional demands associated with the three categories of hybrid organization analyzed rest in part on different institutional logics. They are all corporations, which means that they are expected to adhere to the same standards of behavior and best practices as traditional companies that generate profit, to be autonomous and to focus on strategy (Bromley and Meyer 2015). However, the mutual companies and cooperatives also draw on the logics of the civil association, since they are based on the idea of a shared interest that only accrues to the benefit of the members. The cooperative firm is clearer in this regard in that, in order to become a member, customers or producers must make an active choice. In cooperative firms, there is no formal connection between being a member and being a customer. Hence, you can be a cooperative customer without being a member, though you may not be able to access the benefits available to members. Mutual companies, on the other hand, also focus on the needs of and

[6] See Chap. 8 in this volume for more details about the role of the government in corporate governance of state-owned enterprises.

benefits to not only current owners but also future owners. For insurance companies, this point is crucial, as they must retain a sufficient number of owners at all times, so that if a disaster or other event that triggers a marshaling of resources to support their policyholders transpires, they are financially capable of doing so.

In a way, the same applies to the state-owned enterprises, which are set up to adopt long-term, sustainable responsibility for core societal functions. The organizational logics under which state-owned enterprises operate, however, are mainly designed in following with a typical profit-making corporation. This type of hybrid organization is part of the state as a complex organization, which should require adjustment to the institutional demands of cost-effectiveness and future orientation required of the government. We therefore conclude that the issue of authenticity is handled differently by the state-owned enterprises, on one hand, and the cooperative and mutual companies studied, on the other hand.

The stakeholder perspective holds a central position in the reporting of the cooperative and mutual companies studied. Strictly speaking, these types of hybrids seem to be dependent on positioning the organization as authentic and unique for gaining legitimacy. State-owned enterprises partly display the opposite pattern, where not all past events and actions are incorporated in the selection of narratives of organizational legacy or justified in the public reporting. In some cases, legacy can be treated as 'an enemy' in the management of a firm (March 1976). Studies also indicate that the ability to forget can sometimes be a more useful strategy than the strategy of acknowledging the past (Mena et al. 2016). An intentional changing or erasing of earlier communicated stories of organizational legacy can be accomplished by a reframing of the organizational profile and the introduction of new competing interpretations of what the organization is and how it should act (Suddaby and Foster 2016). Our study also concludes that the studied state-owned enterprises that have adopted values that conflict with an economic rationale rarely spell these out in formal reporting. In this respect, the framing of this category of hybrid organization corresponds more closely to the ideal-typical form of a profit-making company.

2.3 Discussion: Institutional Conditions and Dynamics of Hybrid Organization

We have shown how different hybrid organizations use organizational legacy as a management device for building the legitimacy of current decisions and operations. Although it is not unusual that organizations with a long life refer to their history in order to build and maintain their image as reliable counterparts and to cultivate legitimacy, hybrid organizations' use of organizational legacy seems to be of particular strategic importance for justifying their position as different and highlighting that they are serious about their social mission. However, in comparing the three categories of hybrid organizations discussed in this chapter—mutual companies, business cooperatives and state-owned firms—we find both similarities and differences in how they link their past with their present and future.

It is clear that mutual companies and cooperatives are almost identical with respect to how they profile themselves in public reporting and the weight organizational legacy is given in central managerial texts. Both of these categories of hybrids blur the concepts of owner and customer. The main difference between them is that the mutual company's owners are exclusively its current customers. In cooperatives, the owners are members, but nonmembers can also be customers. This blurring is roughly the opposite to the strategy pursued in a typical limited corporation, where legitimate structure and organization depend instead on maintaining strict formal boundaries between shareholders and customers, although in practice the two groups are most likely blended.

The blurred definition of owner/customer in cooperative and mutual companies sheds light on what the struggle to attain legitimacy looks like in these hybrid organizations. Depending on an organization's degree of awareness and comfort in being a hybrid, it can respond in different ways. If there is widespread awareness within the hybrid organization that it is different, the organization does not have to adapt to either one logic or the other in a strictly binary fashion. Instead, it can emphasize the argument that the pressure to adapt does not apply to that organization, precisely because it is 'different.' Due to their history and references to their legacy, this is also something hybrids are able to do with high degree of authenticity.

We also find that organizational legacy is frequently used in cooperative and mutual companies to 'remind' external audiences of the motives of their institutional difference. This fits well with strategies of profiling organizational legacy in public communications, since these organizations were founded with a distinct social mission. An organization's historical claims interact well with the organization's response to current institutional expectations with regard to adopting CSR. Hence, looking in the rearview mirror to rediscover the social responsibility embedded in the social hybrid becomes a fruitful strategy for justifying current and future operations, as well as for building and enforcing legitimacy. This means that cooperative and mutual companies as hybrid organization categories can adjust to contemporary expectations of social responsibility without any major organizational reforms. Instead, the organizational legacy itself serves to justify the organization's permanency and to strengthen the organization's authenticity profile. This implies more flexibility in the use of legacy for legitimacy purposes in cooperative and mutual companies, compared to state-owned enterprises, as we discuss below.

State-owned enterprises do not normally describe themselves as having active owners. Instead, they are often accused of having weak owners who do not take an ownership responsibility (Sjöstrand and Hammarkvist 2012). This is not surprising because, although citizens are the indirect owners of these enterprises, owner performance is governed by particular social circumstances. As citizens, we are members of various democratic communities, such as municipalities, counties and states. We elect people to represent our interests in local, regional and national parliaments via public elections. It is at this level that corporate governance of state-owned enterprises is executed. This means that for citizens—the true owners of state-owned corporations—there is a critical disconnect between being an owner and executing governance.

In contrast to cooperative and mutual companies, state-owned corporations seem to adopt a strict division between the concepts of owner and stakeholder. Although they are indirectly owned by and exist on behalf of citizens to provide social benefit and/or revenue, they customarily profile themselves in public reporting as having the government as main shareholder and as being more or less fully comparable to the typical limited corporation with respect to how they manage operations (Rainey and Chun 2005). This strategy disconnects citizens as their main source of legitimacy for state-owned enterprises, at the same time as the hybrid organizations need to become more attentive to the current order of governmental affairs and policymaking. Such a setting helps to explain why organizational legacy is less frequently used as strategy for building legitimacy in state-owned corporations. Due to the fact that they are state-owned, they are also the target of a high level of media scrutiny, often in more direct ways than other companies.

State-owned enterprises are also part of the political system and, as such, it is not customary to counteract the expressed preferences of that system. Neither their establishment nor their existence is voluntary as is the case with the other categories of hybrid organization examined. Hybridity in state-owned enterprises has in this respect a distinctive substance by being decided by order of state government. Consequently, they are not required to justify their difference to ideal-typical corporations to the same extent as cooperative and mutual companies. State-owned enterprises are therefore more likely to practice the strategy of accepting their situation. Still, the fact that they exist to serve society grants them the legitimacy to prioritize actions that strengthen sustainability and social responsibility.

2.3.1 Observed Dynamics of Hybrid Organization

The examples of the three general categories of hybrid organizations (business cooperatives, mutual company and state-owned enterprises) discussed in this chapter all operate in the institutional sphere of the market. Thus, they all sell services or products to customers, meaning that their main financial source is sales. The organizations are self-financed and thereby fully dependent on sales revenues to continue their operations. However, as illustrated in Table 2.1 and discussed below, our study has noted some main differences in their organizational forms, ownership, purposes and main stakeholders.

1. Although they all act in markets in the role of companies, cooperatives, mutual companies and state-owned enterprises are formally established with different organizational forms. State-owned enterprises are all formally joint-stock companies and, as such, are supposed to generate a return on investment for their shareholders, which in the cases studied in this chapter is the Swedish state. The organizational forms of both cooperative and mutual companies, on the other hand, mainly resemble the association. While cooperatives have the clearest structure in this regard since they are owned by members, mutual companies are more complex since ownership is directly related to who becomes a customer. Still, all of the hybrids studied in the chapter act as companies in markets, which also means that their performance is most likely to be assessed according to the institutional logic of the corporation.
2. Variations in ownership structure are likely to create different institutional conditions for different types of hybrids. Compared to business cooperatives and mutual companies, the owner of state-owned enterprises is always another organization (the state or local government) that potentially has strong action rationality (Brunsson 1994). In some cases, mutuals and cooperatives also have other organizations as owners, but in such cases, it is most likely that these are also organizations that very clearly represent the members. Member organizations of the insurance company Bliwa, for instance, typically purchase a group insurance for their respective employees. But in state-owned enterprises, the government has a more pronounced role as owner and can, for example, decide to list the company on the stock market, to sell off part of the company to private investors or to close down the company or issue it directives regarding what it should or should not do. Moreover, state-owned enterprises are also established as a means of accomplishing specific political decisions and objectives. Thus, these hybrid organizations are much more dependent on the state as owner than cooperatives and mutual companies are on their respective owners, where the ownership is spread out to individuals or to other associations with individuals as members. Thus, in the latter types of hybrids, owners are less likely to have strong preferences of how the organizations should be structured and operated. Yet another property

that distinguishes state-owned enterprises from the other hybrid organizations studied is that there are distinct limits on how public enterprises are established. Only governments can buy or establish a state-owned enterprise, while anyone can take the initiative to establish a cooperative or a mutual company. This also has consequences for the multiplicity of institutional demands they are exposed to and institutional conditions that govern what they can do and what they must do.

3. Also, there are differences in institutional conditions in terms of the purposes of the respective hybrid organizations. State-owned enterprises are established by governments to accomplish political goals, and to 'do good' for all citizens, although there can be some variations in the degree to which the operations are politically motivated. The main purpose of mutual companies, on the other hand, is to serve their customers by providing security over longer periods of time. Thus, it is a kind of responsibility they offer to a limited group of people, that is, the customers/owners. The purpose of cooperatives is similar to the latter, where cooperatives are supposed to serve their members first and foremost, but also other customers who have not (yet) chosen to become members.
4. Finally, for all of the examined hybrid organizations, the customer is the core stakeholder, since their operations are mainly financed through sales. However, in terms of the main stakeholder, there are differences. State-owned Samhall, for instance, needs to earn revenues from customers in order to serve their main stakeholder, which is a particular group of citizens—people with disabilities who find it difficult to obtain 'ordinary' jobs. Also, the Swedish monopoly liquor retailer, Systembolaget, has specific groups of citizens as its main stakeholder, namely people with drinking problems and people at risk of ending up with drinking problems, but the company is also supposed to serve its customers by offering high-quality liquor products and professional advice, for example, which wine to pair with a certain dish. This focus on the well-being of groups of vulnerable citizens is akin to charity and how the social enterprise is described in the literature on hybrid organizations (e.g. Battilana and Lee 2014), although Systembolaget differs in its ownership structure and entrepreneurialism since it is politically initiated.

The differences in the four dimensions of hybridity discussed above derive from how the studied hybrid organizations refer to their legacy in public information and in our interviews and observations. In the data analyzed, state-owned enterprises with a social mission bear some resemblance to cooperatives and mutual companies, since public enterprises also emphasize their historical legacy and draw attention to their social mission. They do, however, not produce longer narratives of their history like the cooperatives and the mutuals studied. Other state-owned enterprises, such as energy provider Vattenfall, rail transport company SJ or SBAB bank, are for obvious reasons, as discussed earlier, less keen on referring to their historical legacies. These organizations focus instead on more topical issues, such as sustainability, efficiency and innovation.

2.4 Concluding Remarks

One interpretation of why the observed differences are seen is that state-owned enterprises generally operate under less complex institutional conditions than cooperatives and mutuals. We argue that this is evident based on our finding that cooperatives and mutuals emphasize their historical legacy much more, in extensive narratives of their development that dates back in most cases to the time when they were founded in the nineteenth or early twentieth century. This can be understood as cooperatives and mutuals being more exposed to institutional pluralism since they use their legacy systematically to cultivate and nurture their identity. Since this is a shared feature of all of the business cooperatives and mutual companies in our study, it can be understood as demonstrating more flexibility in the handling of organizational legacy. Thus, these organizations have a broader repertoire of actions that are likely to be considered legitimate than state-owned enterprises have.

To sum up our findings in the chapter, we indeed see that organizational legacy plays an important role in managerial texts communicated by hybrid organizations in response to institutional expectations on social responsibility. Our examination indicates that legacy is used in strategic ways, at least by some hybrid organization categories. Business cooperatives and mutual companies, for example, use a relatively large amount of legacy to justify their existence, current actions and future performance. These history-dependent resources help to stabilize the idea that hybrid organizations are 'different' than ordinary firms, with long-standing experience and expertise in assuming social responsibility that to some degree become taken for granted. In these hybrids, the communicated historical narratives form a bridge between an organization's historical social mission and its current institutional environment. Moreover, the long-term perspective regarding the services they offer also justifies how these organizations can engage in other types of actions and considerations that deviate from organizational stereotypes.

State-owned enterprises are, in comparison, less dependent on historical legacy for building legitimacy in their current institutional environment. Instead, the findings support that they depend more on signals from the state and its government. As part of the political system, this category of hybrid organizations has problems with looking back in order to gain legitimacy. From a government's perspective, what happened in the past is always worse than today. The political order forces state-owned enterprises to adopt new goals in line with current governmental goals and hence be more forward-looking like ordinary limited corporations, but unlike the other two categories of hybrid organizations studied here.

Overall, different institutional conditions provide space for different types of hybrid organizations. How these organizations use legacy in current management texts is an indication of the rigorousness of the institutional conditions under which they operate.

References

Alexius, Susanna, and Jenny Cisneros Örnberg. 2015. Mission(s) Impossible? Configuring Values in the Governance of State-Owned Enterprises. *International Journal of Public Sector Management* 28 (4/5): 286–306.

Alexius, S., M. Gustavsson, and T. Sardiello. 2017. Profit-Making for Mutual Benefit: The Case of Folksam 1945–2015. *Score Working Paper Series* 2017:2.

Battilana, Julie, and Matthew Lee. 2014. Advancing Research on Hybrid Organizing–Insights from the Study of Social Enterprises. *The Academy of Management Annals 8* (1): 397–441.

Bromley, Patricia, and John W. Meyer. 2015. *Hyper-Organization: Global Organizational Expansion*. New York: Oxford University Press.

Brunsson, Nils. 1994. Politicization and 'Companyization'—On Institutional Affiliation and Confusion in the Organizational World. *Management Accounting Research* 5 (3): 323–335.

Doherty, Bob, Helen Haugh, and Fergus Lyon. 2014. Social Enterprises as Hybrid Organizations: A Review and Research Agenda. *International Journal of Management Reviews* 16 (4): 417–436.

Foster, William M., Diego M. Coraiola, Roy Suddaby, Jochem Kroezen, and David Chandler. 2017. The Strategic Use of Historical Narratives: A Theoretical Framework. *Business History* 59 (8): 1176–1200.

March, James G. 1976. The Technology of Foolishness. In *Ambiguity and Choice in Organizations*, ed. James G. March and P. Olsen Johan, 69–81. Bergen: Universitetsforlaget.

Mena, Sébastien, Jukka Rintamäki, Peter Fleming, and André Spicer. 2016. On the Forgetting of Corporate Irresponsibility. *Academy of Management Review* 41 (4): 720–738.

Michie, Jonathan, Joseph R. Blasi, and Carlo Borzaga, eds. 2017. *The Oxford Handbook of Mutual and Co-Owned Business*. New York: Oxford University Press.

Premfors, Rune. 1998. Reshaping the Democratic State: Swedish Experiences in a Comparative Perspective. *Public Administration* 76 (1): 141–159.

Rainey, Hal G., and Young H. Chun. 2005. Public and Private Management Compared. In *The Oxford Handbook of Public Management*, ed. Ewan Ferlie, Laurence E. Lynn Jr., and Christopher Pollitt. New York: Oxford University Press.

Sjöstrand, Sven-Erik, and Karl-Olof Hammarkvist. 2012. Bilaga 5, 'Om ägarstyrning i statligt ägda företag'. In *Ekonomisk värde och samhällsnytta – förslag till en ny statlig ägarförvaltning*. SOU 2012:14.

Stebbins, Robert A. 2001. *Exploratory Research in the Social Sciences*. Vol. 48. Thousand Oaks, CA: Sage Publications.

Strandqvist, K. 2018. *Managing in Limbo – The Case of a Swedish State Owned Bank*. Working Paper. Stockholm: Score.

Suddaby, Roy, and William M. Foster. 2016. History and Organizational Change. *Journal of Management* 43 (1): 19–38.