

# Integrated Organizational Identity: A Definition of Hybrid Organizations and a Research Agenda

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**Abstract** In contemporary societies an increasing number of social needs have to be financed by market activities. In this regard, scholars started to discuss whether ‘Social Innovation’, ‘Social Entrepreneurship’, ‘CSR’, ‘Social Enterprise’, ‘Enterprising Nonprofits’, and ‘Social Business’ are able to provide solutions for financially sustainable social services. Just how these so-called Hybrid Organizations balance the tension between social and economic issues still requires conceptualization. This paper introduces the following definition based on the literature on organizational identity, civil society, and marketized nonprofits: Hybrids are characterized by an organizational identity that systematically integrates civil society and markets, exchange communal solidarity for financial and non-financial resources, calculate the market value of communal solidarity, and trade this solidarity for financial and nonfinancial resources. In other words they “Create Functional Solidarity”. Criteria to empirically observe Hybrid Organizations are also introduced and compared to similar concepts. The paper concludes with an outline of a research agenda.

**Résumé** Dans les sociétés modernes, un nombre croissant de besoins sociaux doit être financé par les activités du marché. Dans ce contexte, les chercheurs ont commencé à se demander si l’ « innovation sociale », l’ « entrepreneuriat social », la « responsabilité sociale des entreprises », l’ « entrepreneuriat à but non lucratif » et le « commerce social » parvenaient à offrir des solutions pour

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établir des services sociaux capables de durer financièrement. Il reste encore à conceptualiser la façon dont ces organisations dites hybrides arrivent à concilier problèmes sociaux et économiques. Cet article présente la définition suivante, inspirée par les recherches sur l'identité organisationnelle, la société civile et les organisations à but non lucratif concurrentielles : les organisations hybrides se caractérisent par une identité organisationnelle qui intègre systématiquement société civile et marchés, en échangeant une solidarité communale contre des ressources financières et non-financières. En d'autres termes, elles « créent une solidarité fonctionnelle ». Nous présentons aussi des critères pour l'observation empirique des organisations à but non lucratif. Nous comparons aussi ces critères à des concepts similaires. Nous concluons cet article en esquissant un programme de recherche.

**Zusammenfassung** In heutigen Gesellschaften müssen immer mehr soziale Bedürfnisse durch Marktaktivitäten finanziert werden. In diesem Zusammenhang begannen Wissenschaftler und Gelehrte eine Diskussion darüber, ob die Konzepte „soziale Innovation“, „soziales Unternehmertum“, „soziale Verantwortung von Unternehmen“, „soziale Unternehmen“, „unternehmerische Nonprofit-Organisationen“ und „Social Business“ Lösungen für finanziell nachhaltige soziale Dienstleistungen bereitstellen können. Nur wie diese sogenannten hybriden Organisationen die Spannung zwischen sozialen und wirtschaftlichen Aspekten ausgleichen, bleibt bislang dahingestellt. Beruhend auf der Literatur zur organisatorischen Identität, Bürgergesellschaft und Vermarktlichung der Nonprofit-Organisationen präsentiert dieser Beitrag die folgende Definition: Hybride Organisationen zeichnen sich durch eine organisatorische Identität aus, die die Bürgergesellschaft und die Märkte systematisch integriert, sie ersetzen die kommunale Solidarität mit finanziellen und nicht finanziellen Ressourcen, kalkulieren den Marktwert der kommunalen Solidarität und tauschen diese Solidarität gegen finanzielle und nicht finanzielle Ressourcen ein. Mit anderen Worten: Sie „schaffen eine funktionale Solidarität“. Es werden zudem Kriterien für eine empirische Beobachtung der hybriden Organisationen vorgestellt und mit ähnlichen Konzepten verglichen. Der Beitrag schließt mit dem Entwurf eines Forschungsplans.

**Resumen** En las sociedades contemporáneas, un creciente número de necesidades sociales tienen que ser financiadas por actividades de mercado. En este sentido, los eruditos comenzaron a discutir si la “innovación social”, el “emprendimiento social”, la “responsabilidad social corporativa”, la “empresa social”, las “organizaciones emprendedoras sin ánimo de lucro”, y el “negocio social” pueden proporcionar soluciones para lograr servicios sociales sostenibles financieramente. Cómo estas denominadas organizaciones híbridas equilibran la tensión entre los problemas sociales y económicos todavía requiere conceptualización. El presente documento introduce la siguiente definición basándose en el material publicado sobre identidad organizativa, sociedad civil y organizaciones sin ánimo de lucro mercantilizadas. Las organizaciones híbridas se caracterizan por una identidad organizativa que integra sistemáticamente la sociedad civil y los mercados, intercambia solidaridad comunal por recursos financieros y no financieros, calcula el valor de mercado de la solidaridad comunal y comercia dicha solidaridad para la

obtención de recursos financieros y no financieros. En otras palabras, “Crean solidaridad funcional”. También se presentan criterios para observar empíricamente a las Organizaciones Híbridas y para compararlas con conceptos similares. El documento concluye con un esbozo de una agenda de investigación.

**Keywords** Hybrid organization · Enterprising nonprofit · Social innovation · Social entrepreneurship · Social business · Social enterprise · Corporate Social Responsibility

A widespread challenge to contemporary societies is the decrease in governmental support for social needs, which has led to an increase in the influence of markets to serve these needs (Cordes and Steuerle 2008). Consequently, an increasing number of nonprofit organizations operate in a tension between their social mission and their strategy to acquire funds such as Dialogue in the Dark, which creates jobs for blind people, FUNDES, a foundation that strengthens the competitiveness of small and medium-sized enterprises (SMEs) in Latin America, and Grameen Bank, which provides the poor with micro credit. Despite this trend towards increased influence of the competitive, market-oriented environment, most traditional nonprofits focus their mission on social or ecological issues. However, in times of resource scarcity they have turned towards selling products and services on the marketplace. Some sell to markets because of rational decisions. But most are subject to pressures of organizational isomorphism (DiMaggio and Powell 1983). Following the fashions or pressures of their peers might contradict the parameters of their values (Rothschild and Milofsky 2006). More and more nonprofits are thus creating business-oriented strategies that run counter to their social mission (Jäger and Beyes 2010; Kreutzer and Jäger 2010b). Related dangers for nonprofits involve value convergence of the nonprofit toward for-profit values (mission drift), conflicts of interest between the nonprofit and for-profit organizations, and diversion of public resources to private gain (James 2003).

In the face of trends towards marketization the phenomenon of Hybrid Organizations gains momentum. Scholars use a multiplicity of terms with ambiguous meanings to characterize the phenomenon of Hybrids that is of increasing importance but not new. The origins of the discussion on these phenomena can be found in civil society-oriented as well as in market-oriented research: On the one hand, since its beginnings in the 1980s all research on nonprofit management can be interpreted as integrating market rationale into civil society organizations. In the 1990s, inspired by a strong increase in government spending, more books and articles on social enterprise (Nyssens 2009) and enterprising nonprofits (Dees 1998) were published. The award of the Nobel Peace Prize to Muhammad Yunus and discussion, mainly driven by business schools on social entrepreneurship (Dees 2001) and social businesses (Yunus et al. 2010), drew the attention of scholars.

On the other hand, in a similar vein, profit-oriented management research in the 1950s was dominated by normative concepts that included strong social values. Later, in the 1970s, discussions relating to business ethics started to consider companies as ‘quasi-public enterprises’ that should follow ethical and not just

market principles (Ulrich 2008). At the same time, discussions on environmental sustainability gained momentum. The Millennium Development Goals contributed to the inclusion of social efficiency that led to the currently prominent triple bottom line concept according to which a company should follow economic, environmental, and social goals (Elkington 1998; Lee 2008).

These two research trends indicate that scholars in the field of nonprofit and profit management share an increasing common interest in studying Hybrids, and are assisted by sociologists such as Evers (2012) who ascertains that the formerly clear separation of structuring principles and spheres of influence between public, markets and civil societies are blurring. For example, some companies, following the example of nonprofits, already provide social services for poverty alleviation (Prahalad and Hart 2002). There is also a trend towards network-oriented coordination of civil society mechanisms, and while local policy makers are starting to collaborate with nonprofits, public–private partnerships are becoming more important and there is increasing public acknowledgement of volunteer input into existing public services. In general, and with the necessary abstraction of such interdisciplinary comparisons, all research contributions from the fields of nonprofit- and profit-management and sociology have two arguments in common. While, on the one hand, they observe the increasing importance of Hybrids, they also propose them as organizations that are related to both markets and civil societies (Defourny and Nyssens 2006; Haugh 2006).

Despite this increasing body of literature we know relatively little about what distinguishes Hybrids. There are considerable barriers to systematic research. Koppell (2003, p. 12) stresses two observations that explain this research gap. The heterogeneity of these organizations makes generalization quite difficult. There the substantive complexity, which Anheier calls ‘the law of nonprofit complexity’ (Anheier 2005, p. 229), requires the researcher to devote time and energy to learning about the organization’s processes. Notably absent is a concept that describes the interface between the multiple purposes. Current research has established an “as well as” approach that argues Hybrids are related to markets as well as civil societies. The quality of these relations still needs to be defined (Anheier 2005; Koppell 2003). As yet, we are unaware of how Hybrids integrate markets and civil society.

Despite this lack of theoretical insight on what Hybrids’ distinguish, there are three streams of literature that support a theoretical clarification. In the first instance, many scholars refer to nonprofits acting at the interface of markets and civil societies as ‘multiple-identity organizations’ (Jay 2013). In defining organizational identity, most of these studies follow the lead of Albert and Whetten (1985) who suggest that organizational identities are the features of an organization that members perceive as ostensibly central, distinctive, and enduring in character and contribute to how they define the organization and their identification with it (Gioia and Thomas 1996; Pratt and Foreman 2000). Accordingly, it has been argued that organizations with multiple identities possess different conceptualizations regarding what is central, distinctive, and enduring about their organization (Pratt and Foreman 2000). Although most organizational identity studies are discussed in the research field of organizational theory, many empirical qualitative studies are conducted in nonprofits (Glynn 2000; Golden-Biddle and Rao 1997).

This indicates ‘organizational identity’ to be an adequate starting point for a theoretical exploration of hybrid organizations (Young 2008). Secondly, and as previously indicated, there is an immense body of literature about civil society (Cohen and Arato 1995); and thirdly, there is a broad literature on how nonprofits act in markets (Helmig et al. 2004). Each of these three streams of literature provides valuable insight into their respective realms, but all are relatively independent, making it difficult to develop a theoretical perspective on what distinguishes Hybrids.

Based on the literature of organizational identity, civil society, and marketized nonprofits, this paper introduces a theoretical concept of Hybrids as Integrated Identity Organizations that systematically act at the interface of markets and civil societies and concludes with a research agenda. This concept differs from the concept of ‘multiple or dual organizational identity’ as those concepts leave the different identities independently next to each other. We propose that Hybrids overcome the ‘and-approach’ by systematically integrating both identities. This concept excludes the interface with the public sector, discussed in the literature on public–private partnerships (Evers 2005; Grimsey and Lewis 2007). Nonprofits were always challenged by public and market issues (Evers 1995). But recently there is a widespread trend towards hybrids that take shape by weakening state influence, regulation and funding while opening up to market elements. The literature provides already extensive theoretical and empirical insight into the interface of the public sector and nonprofit organizations (Billis 2010; Evers 2012). As the interface between nonprofits and markets becomes more and more relevant research also provides manifold theoretical approaches like social enterprise or corporate social responsibility. But there is still a lack of empirical observation. This paper intends to guide empirical research that focuses on the interface of nonprofits and markets by following the question: *How does the literature on civil society and marketized nonprofits contribute to the construction of empirical research designs on identities of Hybrid Organizations?* Reflecting on this question, we introduce the following definition: *Hybrids are characterized by an organizational identity that systematically integrates civil society and markets, exchanges communal solidarity for financial and non-financial resources, calculates the market value of communal solidarity, and trades this solidarity for financial and non-financial resources. In other words they “Create Functional Solidarity”.*

To elaborate on these arguments, this paper starts with a review of the literature on Hybrids and introduces a concept of organizational identity. Criteria to empirically observe Hybrids are subsequently deduced from the literature on civil society and marketized nonprofits. In order to strengthen these criteria, they are compared with similar concepts discussed in literature. Finally, the study proposes a research agenda for the further study of Hybrids.

## Literature on Hybrid Organizations

The expression ‘hybrid’ was originally used in biology to describe cross-overs between species. In social science the expression was established in the

post-colonial studies to characterize cultural hybrid compositions in nonwestern or migration life-forms (Young 1995). The colonial studies influenced organizational studies where the expression ‘hybrid’ is often used; but no definition has yet been suggested (Hopper 1990; Hyde 2000). Despite this lack of research we can differentiate at least four streams of research where empirical phenomena of Hybrids are discussed (Evers 2012).

### Enterprising Nonprofits

Scholars observe that many nonprofits “have launched income-generating activities that are not necessarily linked with their social mission, but are a means for mobilizing funds needed by the organizations to survive” (Austin et al. 2006, p. 3). Other studies describe how nonprofits integrate market concepts into their management practices to better present themselves in funding and volunteering markets (Duque-Zuluaga and Schneider 2008). Through these activities, nonprofits sell their services or products for a market price and reinvest their earnings in the realization of their social mission. The observation of increased earned income is made in several fields such as poverty alleviation (Alter 2007), work integration (Spear and Bidet 2005), workers’ cooperatives (Rothschild 2009), and community development (Ersing et al. 2007). Although these nonprofits integrate market logics into their civil society activities, in their organizational core, for example in their mission, they remain in civil society.

### Socially Responsible Businesses/Corporate Social Responsibility (CSR)

These are businesses that are profit-oriented but still respond to some degree to social needs within their environment. CSR includes social issues to the extent that corporations accept their responsibility as corporate citizens and embrace the notion of corporate social accountability. CSR is a form of corporate self-regulation to assume responsibility for the company’s actions and engage in activities that benefit communities, stakeholders and the public sphere. The scientific discussion on CSR evolved from a more social focus that tries to understand how profit enterprises contribute to society (like corporate philanthropy) to a more strategic focus in which scholars analyze the strategic, financial advantage of CSR investments (Lee 2008). In recent years more and more authors follow this path even further and argue for a stronger integration of CSR into the business strategy (Hart 2010; Laszlo and Zhexembayeva 2011; Porter and Kramer 2011). These approaches share a desire to keep profit as the core of their activities when taking steps into the realm of civil society for functional reasons that are measured by reputation, long-term profits or strategic positioning.

### Social Enterprise, Social Business, Social Entrepreneurship, Social Innovation

In the late 1990s a discussion emerged in political and social sciences on social enterprises that realize a social mission with business means (Austin et al. 2006; Borzaga and Defourny 2004; Dart 2004b; Nyssens 2009; Weisbrod 1998; Young 2008). While in Europe in the 1980s social enterprises were founded by civil society actors, in many cases to create jobs for people with disabilities (Kerlin 2006), in USA

they are seen as a functional solution to fulfill traditional nonprofit's social mission in a financially sustainable way (Dart 2004b; Young 2008). Similar to social enterprises, social businesses do not pay any dividend and focus on social needs (Yunus et al. 2010). The difference is that social businesses focus on poor people as clients and create products that meet their basic needs (Mair et al. 2012). The common ground of both concepts is that these organizations act at the interface of markets and civil societies and are somehow related to both sectors (Jäger 2010; Paettie and Morley 2008). The newly emerged scientific discussion on social innovations often couples different goals or re-combines existing resources. Social innovations contribute to a social need perceived by society in a new way (Cornwall 1998; Mort et al. 2003). Sometimes in reference to social innovations, the scientific discussion on social entrepreneurship mainly focuses on the entrepreneur who takes action to meet social needs with economic means (Dees 2001; Young 1983). All these approaches position the business model between extreme poles of markets and civil society (Alter 2007). However, in most of these approaches it is not clear how they theoretically define the position of the business from an institution-theory point of view.

### Hybrid Organizations Constitute the Nonprofit Sector

Many scholars see traditional nonprofits as very different to public or market organizations (Salamon and Anheier 1992, 1993). They define nonprofits as grounded on the association of volunteers, non-distribution constraint (Hansmann 1980), and a social purpose. While for these scholars, hybridization is a special issue to be tackled at the boundaries of the civil society and the public sector or the market, Evers (1995, 2004, 2005, 2012) introduces Hybrids as constitutive of the third sector. Traditional nonprofits are characterized by the co-presence of different logics because there is mostly a degree of hybridity to be found in all of them. Civil society is thus conceptualized as an intermediate area between the market and public sector. Similarly, although with a management focus, researchers describe the tensions between different logics within organizations as normal tensions or dilemma (Sanders and McClellan 2012; Trethewey and Ashcraft 2004) or as pluralistic (Denis et al. 1991). Although these authors describe different ways nonprofits are challenged by different logics, they do not suggest how this interface of markets and public sectors can be theoretically defined.

In summary, the four streams of literature show how scholars approach the phenomenon of Hybrids from different perspectives. Despite the fact that they all define Hybrids between the sectors, market, civil society, and/or public sector, there is no generalized theory on how 'between the sectors' can be conceptualized (Billis 2010), although different entry points are proposed.

### Concept to Define Hybrid Organizations by Their Organizational Identity

Evers argues that Hybridity is reached when logics from other sectors have a very significant impact on the traditional sector-based identity of an organization (Evers 2012). But how can scholars empirically assess the 'significant impact' on organizational identity? We propose a review of literature on organizational identity

to assist in the conceptualization of a theoretical framework to empirically observe Hybridity.

For almost two decades, organization theorists have been paying more attention to the idea of multiple organizational identities (Albert and Adams 1998; Albert and Whetten 1985; Ashforth and Mael 1996; Gioia et al. 2000). These efforts can be divided into three major approaches.

### *Individualistic Approaches*

Researchers in the cognitive tradition view identities as ‘organizational building blocks’ (see Fiol 2002) which are held by individual organizational members (Albert and Adams 1998; Bartel 2001; Dutton and Dukerich 1991; Gioia and Thomas 1996; Labianca et al. 2001; Pratt and Foreman 2000). Assuming that organizational identities are located within individuals, these researchers theorize that organizational identity is basically stable yet amenable to management like any other (human) organizational resource. Previous studies on multiple-identity organizations in this tradition therefore examined how organizational members identify with multiple-identity organizations (Foreman and Whetten 2002; Jäger et al. 2012) and how managers can directly (Pratt and Foreman 2000) or indirectly (Gioia et al. 2000; Gioia and Thomas 1996) alter multiple identities.

### *Structuralistic Approaches*

These approaches locate multiple organizational identities in social phenomena such as cultural values (Pratt and Rafaeli 1997), organizational stories (Humphreys and Brown 2002a, b), and organizational use of language (Holmer-Nadesan 1996; Sanders and McClellan 2012). Studies in this tradition are predominantly empirical and contribute extensive descriptions of how various organizational events are shaped by multiple organizational identities. For instance, they show how organizational identities may lead to psychological crises in individual organizational members (Humphreys and Brown 2002b), how multiple identities are expressed in things such as clothes (Humphreys and Brown 2002a) or how they are used as marketing tools (Christensen 1995). From this perspective, identity is an objectively existing and stable structure, which determines organizational events and managerial practice.

### *Practice-Based Approaches*

Other studies define organizational identities as discursive practices, which try to arrest the flux of reality (Glynn 2000; Golden-Biddle and Rao 1997). Thereby, discursive identity practices are acts of ‘world-making’ (Weick 1980) that rationalize past events. By individual action they recreate the structures (Giddens 1984). These scholars assume that organizational identities may appear sticky in a specific situation. By changes in rationalizing practices, identities may shift over a longer period of time (Jarzabkowski and Spee 2009).



The individualistic approaches propose to analyze organizational identity by analyzing how individuals such as executive director, members of the board, employees, or volunteers identify with the nonprofit. Structuralist approaches analyze structures such as rules and norms, but also their expressions in artifacts like cloths, and how these structures determine events. The practice-based approach points to a ‘third way’ between the individual identity and the structural objectivity to actors’ actions. Its guiding question is what actors like the executive director or volunteers actually do (Whittington 1996).

Based on these approaches we define an organization as “Hybrid” if all identity dimensions (the organizational member’s identity, the organizational structures and the actor’s practices) are related to different environmental origins (the civil societies and markets) and if these relations lead to an institutional constellation with different homogeneous cultural patterns that influence the organization’s purpose significantly (Evers 2012; Reckwitz 2006, p. 81). We further analyze the literature to explore the criteria of how to observe whether organizations’ identity is strongly related to civil society as well as to markets.

### **Observing Integrated Organizational Identity of Hybrids**

There is growing discussion on the necessity of nonprofits to operate in markets (Cordes and Steuerle 2008) and become marketized (Cumming 2008; Kreutzer and Jäger 2010a; Martens 2007). This discussion reflects the relation of nonprofits with markets. Furthermore, and relatively independent from market-oriented discussions, there is extensive research on nonprofits as actors within civil societies (Anheier and Salamon 2006; Cohen and Arato 1995). The discussion on civil society explains the underlying logic within this (nonprofit) sector and how this logic differs from other sectors like the private sector. According to Salamon and Anheier (1992) civil society is institutionalized by nonprofits. Therefore, the logic of civil society is expressed in nonprofits. To explore the integrated organizational identity of hybrids and its civil society side, we need to study the civil society logic. In the following section we discuss both research streams with regard to their contribution to defining the criteria to empirically observe the organizational identity of Hybrids.

#### **Civil Society Identity**

Studies on the motivation of individuals to work for nonprofits show that volunteers, paid staff, executive directors, and presidents understand themselves as a means to achieve the higher goals of a collective (Onyx and Maclean 1996; Pearce 1993). Achieving these goals is a matter of a communal action organized in a unifying attitude and thereby a common understanding (consensus) of the nonprofit’s mission. Consequently, the action of a nonprofit is always socially situated, cannot be explained solely with reference to individual motivations, and social institutions do not automatically emerge in some unavoidable form but instead are constructed socially (Rizza 2006). Solidarity thus requires a mutual connectedness and immediate affirmation. Other studies explore why individuals volunteer in

nonprofits. Some important motivators are the alignment between the individual's core values and the values represented in the nonprofits' mission, and the ability to express one's value through volunteering (Clary and Snyder 1999). This again refers to a socially constructed consensus between an organization and the individual.

Although communal solidarity's deepest roots go back to the family, in which people are and remain joined through their lineage, manifold non-familial institutions of communal solidarity also exist. Wherever people are connected with each other by common experiences, which lead to forms of institutions, they live in communal solidarity that is characterized by its density and trust (Granovetter 2005). This can arise through neighborhoods, friendships, labor cooperatives, guilds or unions, cultural associations, fraternities, and religious congregations. In these institutions solidarity manifests itself in at least two ways. Primarily, it exists in these communities inasmuch as affiliated individuals relate occurrences, situations, and changes both within and outside the community to themselves, so there is a feeling of connectedness based on common memories and consciences (Dopfer 1991). Second, Jäger et al. (2012) found that nonprofit's executive directors' notions of good and bad are consistent with their individual experiences of solidarity. Those experiences are informed by its historical setting (Dopfer 1991). This does not correspond to harmony, but is rather a resilient historical bond (Kay 2005).

Cohen and Arato (1995) characterize the core function of civil society as providing society with the necessary resource 'solidarity' that refers to the social ties of a society. In line with this observation, scholars define nonprofits as organizations that are embedded in social networks and take action to support solidarity (Anheier 2005; Granovetter 1983, 1985). As a rule, solidarity services are provided by professionals which involve voluntary action (Salamon and Anheier 1992, 1993). Core practices of these professionals involve, for instance, acting as intermediary between private interests, the public and markets, which involves the articulation of private concerns and interests, the protection of citizens from infringements by the government or private companies, the provision of a public platform for public discourse, as well as the provision of organizational structures for volunteers and professionals to serve public interests. Serving the public good is common to all these practices.

Regarding the organization identity of Hybrids, the preceding definitions of solidarity identity lead to three criteria. First, organizational members' identity involves an understanding of themselves as providing a means to achieving the higher goals of a collective; second, the organizational structures are embedded in social networks and involve actions in support of solidarity; and third, the practices of actors in serving the public good.

### Market Identity

People come together willingly in a market in order to use the network as a means of fulfilling their own individual purposes. Accordingly, market actions comprise a circle of actors coexisting peacefully and separately. But in contrast to communal solidarity, there is no unity at the center of a market where autonomous organizational actors exist and fulfill a function in society by acting primarily in

their own interests. Many nonprofit management scholars agree that nonprofit organizations pursue their mission by astutely seeking the gaps in public or private service provision (Courtney 2002). In occupying such a niche they assume a social function. Thus, the institutional terrain and the influence of organizations are clearly distinguished from each other. Every organization refuses contact with and access to the others, which—if they were to trespass—would be sanctioned as hostile. This negative demarcation characterizes a normal relationship between power-conscious individuals or organizations. No one will want to do anything for others, or grant or give anything away, except in a *quid pro quo* situation.

As the result of a strong trend toward marketization (Dart 2004a; Hwang and Powell 2009), pressure on nonprofits is mounting. Likewise, there is increasing discussion within the field of nonprofit management geared toward generating ideas on how to respond to the challenges they face in this new climate (Helmig et al. 2004). For example, nonprofits not only have to describe their difficult-to-measure results and publicly justify their use of resources (Ebrahim 2002), but must also assert themselves in addressing increasingly fierce competition in the sponsoring market (Saxon-Harrold 1990). They must also balance the tendency towards centralization that results from new quality requirements with more rapid growth of their structures at the periphery. The consequences are serious. Textbook cases indicate that changes of this kind often end in issues relating to threats to missions (Dolnicar et al. 2008; Yaziji and Doh 2009). The question is thus how to integrate market-related issues within the organization's social mission.

Many scholars agree that market functions maintain their expression through agreements and contracts (Bryce 2000). These can comprehensively acquire meaning through legislation, or they can be a mere expression of the value agreed upon by the partners in the exchange. A central tenet of economics is that money, in the form of price, is an indicator of the “market will”, which determines the higher or lower values of certain exchangeable goods. From this one can conclude that the existence of Hybrids depends on how valuable they are to a society. They do not acquire resources directly through services rendered. Therefore they are dependent on whether their core practices can mobilize volunteers, sponsors, donors, and others (Moore 2000). Contrary to Bryce's (2000) opinion that obtaining money proceeds independently of the mission, effective Hybrids take resources into account when strategizing their intended contribution to communal solidarity.

Following from these considerations, the market identity of Hybrids can be depicted as follows. First, the identity of an organizational member is to fulfill a function within society by acting primarily in their own self-interest; second, the organizational structures are part of markets as rational networks, which are used as a means to pursue their goals; and, third, actor's practices involve the mobilization of private resources such as volunteers, sponsors, donors, and others. To ascribe the Hybrid's organizational identity solely to resource acquisition would thus be as incorrect as an exclusive orientation towards communal solidarity would be insufficient. Both are relevant.

## Hybrids as Integrated Identity Organizations

In bringing together the previous two aspects of Hybrid's identities, we conclude that they systematically exchange communal solidarity for resources. Like profit-oriented enterprises, they are thus engaged in market-oriented transactions, which bring them close to being another type of commercial company.

Markets are dependent not only upon the intentions of actors participating in the trade, but also upon whether an exchange object is considered functionally valuable by another person. As long as one actor gives and the other receives the exchanged goods have a corresponding value to the actors, which is the basis for the creation of societal value. Hybrids offer communal solidarity and, in return, acquire resources. In this sense one can understand their purpose as a "social contract" (Anheier 2005, p. 178) to organize the solidarity desired by markets (Opielka 2006; Tönnies 2002).

An important distinction between Hybrids and traditional nonprofits is that the link between communal solidarity and the acquisition of resources is systematic, direct, and incorporated in its three identity dimensions: members' identification with the organization, organizational structures, and member's practices. The promotion of communal solidarity immediately enables the acquisition of resources and vice versa. In other words, the Hybrids' organizational identity is about "functional solidarity" in societies. Solidarity functions because actors in markets value communal solidarity and spend resources. For instance, 'functional solidarity' needs to be reflected in mission statements that integrate market and civil society values, included in incentive systems and impact assessments that report civil society values in relation to economic values, or through a combination of board members who represent sectors.

Based on these concepts we propose to characterize Hybrids as organizations that systematically integrate civil society identity and market identity in all identity dimensions introduced above. This concept differs from the concept of 'multiple or dual organizational identity' as these concepts maintain the independence of different identities. We propose that organizations we call Hybrids overcome the 'and-approach' and systematically integrate both identities. We assume that such integration is not easy and certainly in many cases not possible, given the strong tensions between civil society and market rationales, profit and social goals, or private and civil society governance mechanisms. All the more interesting are examples of successful integration, which leads to the following three criteria of Hybrids' organizational identity. First, the organizational member's identity involves the carrying out of meaningful work; second, organizational structures are dependent upon how valuable communal solidarity is to a society; and third, organizational actor's practice is to exchange solidarity for financial/non-financial resources. Table 1 summarizes the previously introduced criteria.

The three distinctive criteria for observation and analysis of Hybrid Organizational Identity are: Function, Solidarity, and Functional Solidarity. Organizations that primarily 'function' based on a market-logic are conventional for-profit enterprises. Organizations that are primarily 'solidarity oriented' are traditional nonprofit organizations mainly focused on their social mission. Both of these definitions are based on the underlying logic of their respective formal sectors, the

**Table 1** Criteria for the observation of Hybrid Organizations’ identity

|                                    |   | Fields of Hybrid Organizations’ identity   |   |  |
|------------------------------------|---|--|---|--|
|                                    |   | Market identity  | Hybrid identity   | Civil society identity   |
| Organizational identity dimensions | Identification of individuals with organization | Organizational members’ identity is to fulfill a function in society by acting primarily in their self-interest        | Organizational member’s identity is to execute a meaningful work                                | Organizational members’ identity is to understand themselves to be a means to the higher goals of a collective |
|                                    | Structures that determine organizational events | Organizational structures are part of markets as rational networks, which they use as a means for pursuing their goals | Organizational structures are dependent upon how valuable communal solidarity is to a society   | Organizational structures are embedded in social networks  |
|                                    | Practice of organizational executives           | Organizational actor’s practice is to mobilize resources like volunteers, sponsors, donors, and others                 | Organizational actor’s practice is to exchange solidarity for financial/non-financial resources | Organizational actor’s practice is to serve the public good  |

market and civil society. The notion of ‘Functional solidarity’, however, systematically integrates these logics. It assumes that hybrids focus on social issues, which have a corresponding market, with capital suppliers that are willing to invest into the social issue. In situations of dis-functional solidarity such a market is missing. Decades ago there was for instance no market for supporting poor coffee producers. Today more and more customers are interested in buying sustainable coffee and are thus willing to invest in reducing the poverty of poor coffee producers. Different factors, such as information technology led to the creation of this market, which resulted in more transparency of the value chains of coffee producers.

The value of the three criteria for the observation and analysis of Hybrid Organizational Identity can be further clarified by highlighting the similarities and differences between this concept and other established concepts related to Functional Solidarity.

**Hybrid Organizations: A Typology of Integrated Organizational Identity**

The Hybrid’s organizational identity is related to desires of markets for communal solidarity, not only to values rooted in religious, legal, and other societal baselines such as human rights. They are therefore not only value driven but strategic. They strategically calculate which communal solidarities have potential to be exchanged for resources. Other concepts discussed above are related to such an approach.

In the following section we introduce three types of organizations which exist at the interface of civil society and markets: social innovation (Dees 2001), enterprising nonprofits (Duque-Zuluaga and Schneider 2008), and socially responsible enterprises (Lee 2008). We highlight their differences and similarities to the

criteria for Hybrids and identify the main difference as being whether the organizational identity (identification, structure, and practice) is strongly or weakly related to markets and civil societies. According to Max Weber’s ideal types we introduce each type by one quite extreme example. Those extreme examples are in contrast to many real cases, which are much harder to subsume under the one or the other category. The following examples are thus extreme and therefore particularly useful to highlight the systematic differences of the types with the goal to spend orientation (see Table 2).

**Social Innovation (Social Entrepreneurship)**

Social innovation organizations are weakly related to markets and civil society because of their original social intention. They are about linking different ideas, not about technical innovations like a new IT tool or a water pump (Drucker 1993). For example, coupling the help of disabled people with models of computer-supported workplaces leads to jobs where handicapped people can contribute despite their disabilities. The realization of these social ideas is the result of entrepreneurial action. Focusing on entrepreneurial action excludes institutional issues such as discussed in the field of social enterprise or social business. We thus strongly link social entrepreneurship with social innovation, but differentiate it from research on social enterprise or social business. Social entrepreneurs can take action to institutionalize social innovations, as their organizations grow in strength they find themselves in a situation involving the management of institutions.

The following example of a tourist boat can explain this phenomenon. While on vacation, Paul Scott traveled to the Indonesian island of Flores, where 97 % of the population has to live on less than one dollar a day. All tourists that intend to visit the famous Komodo dragons have to pass through this island. Scott recognized that there were insufficient boats available to travel to the Komodo dragons. He met a former human resource manager of a large tourist hotel, John Raja, a local who lived in a nearby city. Together with Raja, Scott bought a wooden fishing boat to bring Western tourists to the Komodo dragons. In the bylaws contracts Scott and Raja included the following principles. The boat had to be driven by a local captain who received an official working contract. Every year, this captain had to train a

**Table 2** Organizational identity types at the interface of civil society and market

|                        |        | Market identity   |  |
|------------------------|--------|---|--|
|                        |        | Weak  | Strong   |
| Civil society identity | Strong | Enterprising nonprofits with activities supporting solidarity by selling in markets (e.g., UNICEF)                          | Hybrid Organizations (social businesses/ social enterprises) with activities supporting functional solidarity (e.g., FUNDES)                               |
|                        | Weak   | Social innovation (social entrepreneurship) with planned social value and income-generating activities (e.g., tourism boat) | Socially responsible enterprises (corporate social responsibility) with market activities and additional social-value generating activities (e.g., Nestlé) |

young person from a poor village to become a captain. The earnings were to be reinvested in buying new boats, which would be driven by the trained captains.

### *Civil Society Identity*

We call this initiative “social” by following the previously introduced criteria (see Table 1). The initiative responded to local poverty by creating jobs for the poor (structure). Scott collaborated with the local manager Raja, a person with strong professional habits and local roots (practice), and he invested his money after his experiences with poverty (identification). All these aspects show a relation of the link between the initiative and the local poverty context. However, it is not yet clear whether this relates to the local civil society for poverty alleviation. We thus consider the relation with civil society as being weak.

### *Market Identity*

The core practices of the initiative are for the local tourism market (practice). Scott hires a local captain to meet his personal goals (identification) and bases his actions with the captain on a contract (structure). Even though the initiative is clearly positioned within the tourism market, it is not yet clear whether it seeks to grow rapidly and hire external experts or whether it will stick to its bylaws and employ only local people. Therefore, we refer to the relation with the market as weak.

### *Hybrid Identity*

Finally, Scott executes the initiative because it makes sense to him (identification). This strongly relates him to both civil society and market sectors. But because of its startup character the initiative has no systematized calculation of how valuable local workers are for tourists (structure); and poverty is not mentioned as an issue to gain tourists (practice). From the identification dimension we can consider this initiative to be hybrid, but the structural and practice dimensions are weakly related to market and civil society. We therefore refer to this as an example of social innovation that is weakly related to both sectors.

Social entrepreneurs, like Scott, establish a small organization. Its growth might lead to a stronger relationship with markets (socially responsible enterprises) or with civil society (enterprising nonprofits) or, if market demands and civil society requirements are balanced, the initiative becomes a Hybrid.

### Enterprising Nonprofits

In this case, the organization’s market activities are fairly limited and do not significantly influence its civil society-related decision making. Enterprising nonprofits are thus strongly related to civil society, but loosely to markets. They primarily focus on their social mission. Apart from their activities within civil society, they sell their social mission in markets to acquire needed financial resources.

One of the UNICEF country organizations serves as an example of this organizational type. According to UNICEF bylaws, the country representative's task is to raise funds for UNICEF International. UNICEF International allocates resources to selected programs to protect children around the world. The UNICEF country organization is led by a board of directors with representatives from all left-wing political parties. Traditionally UNICEF volunteers sell Christmas cards to raise funds. Within an initiative to implement management techniques at headquarters the executive director hired professional fundraisers to seek the financial support of corporations. One of these fundraisers was an external consultant. He was paid by provisions and received an amount of money that was common in the banking market. One day UNICEF got in a reputation crisis. The press reported about the fundraising expert hired by headquarters and that received a high commission. Journalists criticized this practice, demonstrating that the 5,000 volunteers within the country office earned the market-based salary of the fundraising expert by selling Christmas cards. Because of this crisis, the board of directors searched for market-oriented members who could deal with such a situation.

#### *Civil Society Identity*

UNICEF focuses its action on children's rights (practice). The board of directors is staffed by representatives of all left-wing political parties and works mainly with volunteers (structure). Furthermore, the majority of staff members are volunteers that strongly identify with the social mission (identification). Because of these factors we deem this organization to be strongly related to civil society.

#### *Market Identity*

The country organization mainly sells UNICEF postcards at Christmas to raise funds from small donors (structure). Management techniques were implemented (practice) and a professional fundraiser was hired and paid according to market norms (identification). The professional fundraiser represents the main link to the market. Even though he earned a lot of money he could not affect UNICEF's culture and decision-making habits. Therefore, we deem this organization to be weakly related to the market.

#### *Hybrid Identity*

The board of directors was not used to such a reputation crisis. They mainly focused on the social mission (identification). They knew how to present their mission and how to raise funds, but they were not trained in how to protect their reputation—or to put it another way, the market value of their brand (structure). We consider the calculation and the executed exchange as weak (practice). The only criteria considered to be strong were the ones concerning civil society. Therefore, we call this type an enterprising nonprofit.



## Socially Responsible Enterprises

This type includes profit-oriented companies that institutionalize concepts of Corporate Social Responsibility. The general focus of Corporate Social Responsibility relates to how these companies contribute to solidarity needs of the society in which they operate (Atkinson 2000). A prominent example of this type is the joint stock company Nestlé. Recently, Nestlé stated on its webpage that it had created shared value to support their organization but also to address social issues. It argues that if it wants to abide by its business model it has to address social issues that place its business model at risk. For instance, a water shortage would severely impact its water and food businesses.

### *Civil Society Identity*

Nestlé focuses on three main social issues: water, nutrition, and rural development (structure). Because Nestlé is not an expert in these social issues, it maintains a dialogue with civil society specialists (practice). Water, nutrition, and rural development are relevant for Nestlé because they affect markets. This affection is the main incentives Nestlé provides to its managers (identification). Nestlé thus focuses primarily on markets and attends to social issues only to the extent that these affect their markets. We can therefore say that this organization is weakly related to civil society.

### *Market Identity*

As a joint stock company Nestlé is strongly related to the financial market, its actors, and legal requirements (identification/structure/practice). We thus identify this organization as being strongly related to the market.

### *Hybrid Identity*

Nestlé calculates whether social issues can influence their markets (practice). It does not ask how valuable the promotion of water, nutrition, and rural development is for civil society (*structure*). It does so largely in response to customers who expect products with social labels (*identification*). Therefore, we refer to this organization as a socially responsible enterprise. It responds to social issues, but does not build them into its culture and structure.

## Hybrid Organizations

Also referred to as social businesses (Yunus 2008) or social enterprises (Nyssens 2009; Young 2008), Hybrids differ from the concepts social innovations, enterprising nonprofits, and CSR in being strongly related to civil society as well as to markets. They pursue a strong relation with civil society, the same as the enterprising nonprofits, and are also strongly market-oriented like socially responsible businesses (Galera and Borzaga 2009). They are not only defined by

their contribution to civil society, like nonprofit organizations (Salamon and Anheier 1993), but also by their simultaneous strong relations with civil society and the market.

For instance, FUNDES International is a foundation that supports SMEs in ten Latin American countries in furthering their development. In the past, the foundation received several million dollars a year from another foundation in support of SMEs. Because of a strategic change by the parent foundation and the financial crisis of 2008, the FUNDES annual budget was reduced by 60 % over a period of 2 years. FUNDES hired new managers and went through a strategic change process. The new strategy focuses on supporting corporations with their supply chains to SMEs. FUNDES argues that by supporting corporations to work with SMEs it is able to serve even more SMEs than through direct training or consulting work for individual SMEs. Similarly it receives money for its services from the corporations that benefit from FUNDES knowledge of local contexts and SMEs.

### *Civil Society Identity*

Since its creation, FUNDES has supported SMEs in Latin America (practice) in order to further development in the countries (identification). They are financed by another foundation (structure). For these reasons we identify FUNDES as being strongly related to civil society.

### *Market Identity*

With its new strategy FUNDES has entered the corporate consulting market (structure). It reaches out to corporations helping them to identify new paying customers and the market conditions for potential contracts (identification). FUNDES went through a long strategic change process involving calculations on the value of SME promotion to corporations (practice).

### *Hybrid Identity*

In pilot projects they sold their solidarity with SMEs to corporations (practice) that increasingly seek services such as those provided by FUNDES (structures). With its new managers who support the new strategy (identification), FUNDES is strongly related to civil society as well as to markets, which is why we refer to FUNDES as a Hybrid.

## **Managing Hybrid Organizations: A Research Agenda**

Up to this point we have focused on the definition of and illustrated the criteria for the organizational identity of Hybrids. In this section, we reflect on Hybrid's three identity dimensions in order to identify needs for further research.

We defined Hybrids’ organizational identity as “Creating Functional Solidarity” in the identification, structure, and practice dimensions. They establish social investment systems to support economically sustainable social value. In keeping with this definition, there are three systematic starting points for Hybrids to realize functional solidarity. These starting points are related to civil society, to markets or directly to the phenomenon of Hybrids. Exploring Hybrids differs from analyzing traditional nonprofits in that researchers face the challenge of integrating at least three fields of research: mobilizing (social) investments (Nichols 2003), effectively and efficiently executing their services for beneficiaries (Preston and Brown 2004), and supporting communal solidarity desired by markets. Research is currently being carried out, although independently, in the first two fields. The phenomenon of Hybrids, however, suggests the need for an integrated research approach to reflect the fact that in practice, Hybrids integrate these three fields in their organizational identity. In Table 3 we introduce a research agenda for the analysis of Hybrid Organizations’ Identity.

The Actors of Hybrid Organizations Want to Support Communal Solidarity (Identification/Why?)

With respect to the sector interface we propose the research question: *Why do actors work or volunteer for Hybrid Organizations that create functional solidarity?* Given the widespread lack of public investment in meeting social goals an increasing number of people are aware of the need to create sustainable financing for social services. The question is whether Hybrids effectively and efficiently meet these economic and social needs as a result of state failure (Esping-Andersens 1990), of

**Table 3** Integrative research agenda on Hybrid Organizations’ identity

|                                    |   | Fields of Hybrid Organizations’ identity  |   |   |
|------------------------------------|---|---|---|---|
|                                    |   | Market identity   | Hybrid identity   | Civil society identity  |
| Organizational identity dimensions | Identification of individuals with organization | Why do market actors (e.g., members of large businesses or foundations) support Hybrid Organizations? | Why do actors work or volunteer for Hybrid Organizations? Why do actors invest in hybrid organizations? Why do actors buy services from hybrid organizations? | Why do civil society actors (e.g., volunteers, nonprofit staff) cooperate with market actors? |
|                                    | Structures that determine organizational events | Which strategies use market forces to create social values?   | Which strategies create economically sustainable social values?   | Which market strategies are accepted within civil societies?                                  |
|                                    | Practice of organizational executives           | How do market actors collaborate with social investment systems?                                      | How do actors establish sustainable financial systems?  | How do civil society actors (e.g., volunteers) integrate financing systems?                   |

market failure (Rothschild 2009; Spear and Bidet 2005), or as a result of other types of failures. The research question concerning the market is: *Why do market actors (e.g., members of large businesses or foundations) support Hybrid Organizations?* One might not want to transform large businesses into social organizations; an understanding of why for-profit enterprises support Hybrids thus becomes crucial. For example, a study carried out by Porter showed the increasing influence of social issues on markets (Porter and Kramer 2002). Companies should therefore take social issues into account. From a social investor's perspective, Hybrids offer opportunities for supporting solidarity. From a civil society perspective we raise the question: *Why do civil society actors (e.g., volunteers, nonprofit staff) cooperate with market actors?* In the growing discussion on nonprofits having to act in markets, the crucial question arises regarding, how a nonprofit's social mission undergoes changes when challenged by market mechanisms (Cordes and Steuerle 2008).

#### Hybrid Organizations Execute Services Required by Civil Society (Structure/What?)

Concerning the sector interface we propose the research question: *Which strategies create economically sustainable social values?* Many scholars agree that strategies of Hybrids are challenged by multiple bottom lines (hybrid organizational identities) (Barman 2007; Dart 2004b; Paettie and Morley 2008). In this paper we specified the identity of hybrid organizations by arguing that Hybrids create functional solidarity. In this sense current research discusses social enterprises in the field of employment services (Kerlin 2006), and social businesses in the field of poverty alleviation (Yunus 2008). The question we raise highlights the assumption that there are genuine strategies useable in different fields of social issues. Concerning the market we introduce the question: *Which strategies use market forces to create social values?* These strategies have a long history that calls for analysis (Alter 2007). However, this question became crucial in the late 1990s. Voices in political and academic arenas initiated a discussion about social enterprises that support social missions through business means (Young 2008, p. 997; Austin et al. 2006, p. 529). This topic is also currently being actively discussed in the field of economic development work. Organizations recognize the economic capabilities of beneficiaries and are starting to build their strategies around them. For instance the concept of social business is strongly based on this idea of carrying out business among the poor (Yunus et al. 2010). Similar to the first question in this section, we assume that this principle is also valid in other fields of social issues. This requires further discussion. With respect to civil society, our research question is: *Which market strategies are accepted within civil societies?* Scholars agree that civil society organizations are nonprofit in nature (Anheier and Salamon 2006; Cohen and Arato 1995). Nevertheless, the current discussion of social enterprises also highlights the considerable importance of Hybrids in meeting social needs (Dart 2004b). We also propose to apply this question to research on social entrepreneurship (Galera and Borzaga 2009). The latter mainly focuses on individuals and their actions, whereas analyzing Hybrids focuses on the question of how to manage an

organization. As in the case of for-profit enterprises, entrepreneurship is an important issue, but not the only one. We thus argue that social entrepreneurship is a subtopic to Hybrids, and not vice versa (Yunus et al. 2010).

### Actors of Hybrid Organizations Establish Social Investment Systems Needed by Markets (Practice/How?)

Concerning the sector interface we propose the research question: *How do actors establish sustainable financial systems?* This question does not refer only to fundraising issues (Nichols 2003). It looks for sustainable social investment systems (Godeke and Pomares 2009). These investments aim to solve social and environmental problems while continuing to generate financial and non-financial (social) returns for investors. Ultimately, this social return is usually not only of benefit to the investor, but also to society at large. Social Investments create a kind of communal solidarity for which they receive resources in exchange. According to Nicholls, the current landscape of social investment is insufficient due to a lack of investors and of intermediary mechanisms such as matching investors and investees methods for easy outcome comparisons, insufficient in relieving tensions between actors from different sectors, and due to a lack of strong institutional entrepreneurs helping to develop the social investment sector as a whole. A question arising from these observations relates to the market: *How do market actors collaborate with social investment systems?* Scholars observe that Hybrids mobilize resources in the market (Nichols 2003). Concerning civil society, we raise the question: *How do civil society actors (e.g., volunteers) integrate financing systems?* Volunteers are an important element of civil society organizations (Kreutzer and Jäger 2010a; Pearce 1993). This is also true for Hybrids. We therefore need investment systems that are able to integrate the resources both of civil society and market actors.

The nine detailed research questions above aim to provide structure for current research on Hybrids. For each question the current literature needs to be systematically reviewed and research gaps addressed. An integrative perspective will then be needed to consolidate the different research findings in response to the respective questions. This path will guide our work towards an integrative perspective on the organizational identity of Hybrids.

### Concluding Remarks

This paper introduces the following definition: *Hybrids are characterized by an organizational identity (member's identification with the organization, organizational structures, and member's practices) that systematically integrates civil society and markets. They calculate the market value of communal solidarity and trade this solidarity for financial and non-financial resources.* This definition differs to the previous definitions of Hybrids by replacing the and-approach with an integrative approach. It also builds on Hansmann's (1980) trustworthiness theory of nonprofit organizations. Many scholars characterize traditional nonprofits by Hansmann's (1980) trust theory, that assumes nonprofits are more trustworthy than

for-profit companies due to their non-distribution constraint. This constraint economizes the transaction cost: social investors are assured that their invested funds will not be appropriated as profits. Hybrid organizations are also subject to the non-distribution constraint, but investment in them is not just a question of trust, but also of strategically calculated exchanges. The concept of “functional solidarity” grounds the non-distribution constraint within strategically calculated exchanges. Hybrids exchange their impact on social issues for market resources.

Research on Hybrids is still in its early stages (Evers 1995, 2004, 2005, 2012; Jäger 2010; Paettie and Morley 2008). This paper integrates the separate streams of research such as Social Entrepreneurship, Enterprising Nonprofits, CSR, Social Enterprise and Hybrid Organizations and creates a research agenda based on an organizational identity point of view. It intends to support these research efforts by articulating a theoretically based research agenda for Hybrid Organizations.

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