

# The Blurring Hypothesis Reconsidered: How Sector Still Matters to Practitioners

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**Abstract** This article asks: Is sector still a useful concept for social science research on nonprofit organizations and related fields, such as social entrepreneurship? We answer that it is relevant to practitioners for whom sector boundaries remain an important orienting feature of their organizational worldviews. This observation is at odds with the recent scholarship on “blurring” sector boundaries, much of which suggests that sector is increasingly an outdated concept. Data from one uniquely blended space—the fair trade industry—coupled with insights from Scott’s (Institutions and organizations: ideas, interests, and identities, 2014) theory about the three pillars of institutions suggest that sector remains meaningful despite developments that appear to render it obsolete.

**Résumé** Cet article pose la question suivante : le secteur est-il encore un concept utile pour la recherche en sciences sociales sur les organisations à but non lucratif et les domaines connexes, tels que l’entreprenariat social ? Nous répondons qu’il est pertinent pour les praticiens pour lesquels les limites du secteur restent un élément important d’orientation de leurs visions du monde organisationnelles. Cette

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observation est en contradiction avec la bourse d'études récente sur la « dilution » des limites de secteur, dont la majeure partie suggère que ce secteur est de plus en plus désuet. Les données d'un espace unique mixte — le secteur du commerce équitable — associées à l'éclairage apporté par la théorie de Scott (2014) sur les trois piliers des institutions suggèrent que ce secteur demeure significatif malgré les événements qui semblent le rendre obsolète.

**Zusammenfassung** Dieser Beitrag beschäftigt sich mit der Frage, ob der Begriff „Sektor“ noch immer ein nützliches Konzept ist für sozialwissenschaftliche Studien über Non-Profit-Organisationen und damit verbundene Bereiche, wie beispielsweise das soziale Unternehmertum. Unsere Antwort lautet, dass es für Praktiker relevant ist, für die Sektorgrenzen weiterhin ein wichtiges Orientierungsmerkmal in ihren organisatorischen Weltanschauungen darstellen. Diese Beobachtung widerspricht der jüngsten Forschung zur „Verwischung“ der Sektorgrenzen, wo häufig behauptet wird, dass der „Sektor“ zunehmend ein veraltetes Konzept ist. Daten aus einem einzigartigen gemischten Bereich - der Branche des fairen Handels - einhergehend mit den Erkenntnissen aus Scotts (2014) Theorie über die drei Säulen von Institutionen weisen darauf hin, dass der Begriff „Sektor“ trotz der Entwicklungen, die ihn überholt erscheinen lassen, ein wichtiges Konzept bleibt.

**Resumen** El presente artículo se pregunta: ¿Sigue siendo el sector un concepto útil para la investigación de la ciencia social sobre las organizaciones sin ánimo de lucro y campos relacionados, tales como en el emprendimiento social? Responderemos que esto es relevante para los profesionales para los que los límites del sector siguen siendo una característica orientadora importante de sus visiones del mundo organizativo. Esta observación está en desacuerdo con eruditos recientes sobre el “desibujamiento” de los límites sectoriales, muchos de los cuales sugieren que el sector es cada vez más un concepto desfasado. Los datos de un espacio combinado de forma única - la industria del comercio justo - junto con percepciones de la teoría de Scott (2014) sobre los tres pilares de las instituciones sugieren que el sector sigue siendo significativo a pesar de los desarrollos que parecen hacerlo obsoleto.

**Keywords** Blurring boundaries · Sector theory · Social entrepreneurship · Social enterprise · Institutions · Organization theory · Fair trade

## Introduction

In popular and academic writing, the blurring of the boundaries between the for-profit and nonprofit sectors has become almost taken for granted as characteristic of the organizational world (Billis 1993; Dees and Anderson 2003; Hansmann 1981), yet it remains remarkably understudied. In particular, scholars have been content to reference the blurring of sectors without scrutinizing what it looks like from the perspectives of individuals working in blended spaces, a term we use to describe those areas that straddle sector boundaries or where organizations mix elements that are typical to only one sector. The assumption seems to be that blurring is

revolutionizing the organizational landscape (Eikenberry and Kluver 2004; Young et al. 2012), but that is an assumption articulated more often by scholars than practitioners. Research is thus needed that unpacks the experience of working in blended spaces. Without it, scholars are unable to convey with authority what it means to say that sectors are blurring and what ramifications this might have for practice and theory.

In this article, we therefore ask whether sector is a useful concept for scholars who study nonprofit organizations and recent trends such as social entrepreneurship. To answer that question, we consider a more tractable one: Does sector still matter—and if so, how?—to individuals working in the fair trade industry, a unique and highly blended space? Framed through Scott's (2014) theory of the three pillars of institutions, we argue that for regulative, normative, and, in some cases, cultural-cognitive reasons, sector is relevant to practitioners. They talk about sector, use it as a reference point, make comparisons between sectors, and often have strong feelings about their observations. Moreover, the values and goals they hold are in some cases stratified by sector. In short, sector remains an important component of the way they view and experience the social worlds in which they operate. While overstated in the literature, we do, however, find some data consistent with the blurring hypothesis: The norms associated with sector are not always accompanied by the kind of binding expectations that Scott (2014) sees as characteristic of institutions, and we find mixed evidence of the cultural-cognitive acceptance that occurs when institutions are deeply engrained.

There is a practical benefit to considering sector blurring here. It is that doing so provides insights for practitioners working in blended spaces. At a time when sector boundaries are characterized as losing their significance, what can be said to aspiring social entrepreneurs who are considering entering or incorporating in one sector or another? We begin the process of addressing this question by identifying four issues that experienced practitioners talk about when referring to the drawbacks or benefits of working in either sector.

### **The Blurring Hypothesis**

For at least the last quarter century, scholars have asserted that the lines differentiating nonprofit and for-profit organizations are often unclear (DiMaggio and Anheier 1990) and that sector boundaries are eroding (see Billis 1993 for a review of the early scholarship, which mostly focused on public–private sector blurring). We refer to this as the blurring hypothesis. It is based on the observation that historically different types of entities—charities, firms, governments—from different sectors of the economy are increasingly looking alike. Nonprofits are relying on earned income (not just charitable support), businesses are interested in prosocial outcomes alongside their financial ones, and governments are under pressure to incorporate performance measures once only common in the private sector (Dees and Anderson 2003; Eikenberry and Kluver 2004; Gottesman 2007; Weisbrod 1997; Young et al. 2012).

According to popular accounts, the private for-profit and nonprofit sectors have become difficult to distinguish (Brody 1996; Hansmann 1981). Research on the differences between businesses and nonprofits frequently demonstrates similarities between the for-profit and nonprofit sectors (e.g., Billis 1993; Dees and Anderson 2003), and the two organizational forms appear to be evolving toward one another, as evidenced by movements in social enterprise, impact investing, nonprofit earned income strategies, and social entrepreneurship (Cooney and Shanks 2010; Eikenberry and Kluver 2004; Kerlin and Gagnaire 2009). Even the legal distinction between for-profits and nonprofits seems to be eroding as analysts question the tax exemption of nonprofit organizations (Salamon 1996) and new hybrid legal entities emerge (Reiser 2010, 2011).

The possible causes of sector blurring are many. It is common, for instance, for scholars to understand nonprofits adopting business-like strategies as a response to neoliberal agendas (internally promoted or externally imposed) and, relatedly, to government retrenchment and increased competition (Dart 2004; Eikenberry and Kluver 2004; Weisbrod 1997; Young and Salamon 2002). On the flip side, for-profits might pursue social missions because of the prosocial concerns of their founders (as in Child 2014). Or they may be responding instrumentally to demands from external actors or out of an interest in maximizing profits, among other things (see Campbell 2007; McWilliams et al. 2006).

Bromley and Meyer (2014) develop what is, perhaps, the most compelling theory of sector blurring (see also Meyer and Bromley 2013). Arguing from a decidedly neo-institutionalist perspective, they maintain that most explanations of blurring miss the larger social and historical underpinnings of the phenomenon. Indeed, what we now see as blurring, according to them, is a consequence of the ascendancy of “organization” as an “emergent category of social structure” (p. 2). It is “the meta-category of ‘organization’,” they write, that “generates blending and blurring across traditional sectoral boundaries” so that “in countries worldwide, all sectors, business, government, and charity are reshaped to varying degrees by these universalistic cultural principles, leading them to bear increasing similarities in form over time” (pp. 2, 3).

The strong version of the blurring hypothesis suggests not just that sector boundaries are becoming less important but that, over time, sector boundaries will continue to erode—perhaps to the point of being inconsequential (e.g., Weisbrod 1997). Indeed, a number of experts and practitioners have questioned whether sector is even a useful concept (Anheier and Seibel 1990; Kelley 2009; Langton 1987; Young et al. 2012). They argue that sector distinctions have long been overstated (cf. Brody 1996; Hall 1992) and that sector may be losing its meaning (Kramer 2000).<sup>1</sup>

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<sup>1</sup> Brody (1996, p. 461) notes that the differences between nonprofits and for-profits have been “obliterated” but observes that there is yet “an invisible glue” that keeps sector relevant. Hall (1992) also puzzles over the use of terms like “nonprofit sector” but similarly concludes that there are a variety of social factors that have helped to define it. These observations are consistent with our argument about the durability of institutions.

## The Durability of Institutions

Despite its prevalence, the blurring hypothesis seems to downplay the durability of institutions. Scott (2014) reminds us that institutions—such as sectors and their respective boundaries that became institutionalized as part of a growing “sector consciousness” starting in the 1970s (Langton 1987)—are stable parts of the social world. They are undergirded by the regulative, normative, and cultural-cognitive “pillars” that give them endurance. They may be social constructions (Hall 1992), it is true, but that does not prevent them from being, as W.I. Thomas famously wrote, “real in their consequences.”

Institutions are the durable features of social life (cf. Scott 2014, p. 56). To regard school as an institution, for example, is less to think of a particular school as a particular organization but, rather, to understand school as behaviors that repeat themselves over time and to which individuals orient themselves and attach meaning. Scott observes that three attributes give institutions their staying power. These are their regulative, normative, and cultural-cognitive qualities. The regulatory aspect suggests that institutions are backed by laws and rules. Mandatory schooling laws, for example, coerce parents to uphold the institution of school. Norms also reinforce institutions. Even if it was legal to keep a child from receiving education, there are strong social norms that would prevent against it. And finally, institutions become so enmeshed in the regular fabric of life that they acquire a cultural-cognitive taken-for-grantedness. It is almost unthinkable in contemporary western societies for a parent to keep her child from school, whatever that school might look like (public, private, home, etc.).

This is not to say that we should discredit the blurring hypothesis by simply relying on sociology’s insistence that institutions are persistent. Indeed, even enduring institutions are subject to change and evolution. Rather, an assessment of the hypothesis should be informed by a treatment of those who inhabit the sectors (Hallett and Ventresca 2006). They are, after all, the ones who are implicated in maintaining sector boundaries or breaking them down. Is it possible that the pressures causing organizations to look alike are obstructed—even if unwittingly—by the actors who orient themselves according to sectors because of the meanings and values that they attach to different kinds of organizations? If so, this would add nuance to the blurring hypothesis. On the other hand, perhaps it is the case that individuals in blended spaces regard sector as increasingly insignificant, thus lending support to the blurring hypothesis and thereby providing insights that scholars and practitioners can further build upon. Either way, an account from the front lines of sector boundaries—however rigid or tenuous they may be—would seem essential to refining the hypothesis.

To that end, we report here on how individuals working in a highly blended space regard sector. Whereas others have examined the multifaceted historical (Hall 1992), legal (Brody 1996; Kelley 2009; Reiser 2010, 2011), fiscal (Weisbrod 1997), or normative (Eikenberry and Kluver 2004) aspects of blurring, we focus exclusively on practitioners’ accounts. The paper proceeds in the following way. After outlining the data and methods, we address each of Scott’s pillars of institutions. We conclude that the blurring hypothesis is overstated. In the

Discussion section, we reflect on the implications for scholarship on blurring sector boundaries and note the lessons these have for practitioners working in blended spaces. Social entrepreneurs and their peers are still required to take sector into account, and our data provide insights from people working in both sectors about what they see as important (or less important) on this issue.

## Data & Method

Data come from the fair trade industry. Fair trade is a movement organized around the ideal of ethical trading relationships between (mostly) Southern producers, such as farmers and artisans, and (mostly) Northern importers (Fridell 2007; Jaffee 2007; Raynolds et al. 2007). The Fair Trade Federation (FTF) is the primary trade association in the U.S. for fair trade organizations, nonprofit and for-profit alike. Its mission is to help its members promote poverty alleviation by engaging in safe, transparent, and accountable exchange relationships with marginalized communities.

Fair trade is an ideal setting in which to study sector. Advocates of the blurring hypothesis suggest that sector will lose (or has already lost) its significance, so this should be nowhere more true than in quintessentially blended spaces. The fair trade industry, where nonprofits and for-profits look very much alike and engage in very similar behaviors, is one such site. Of all settings, blended spaces like this should provide an opportunity to observe what sector looks like to practitioners when sector boundaries putatively erode.

We report here on the interview data drawn from a random sample of the FTF membership, stratified by sector. These qualitative data are part of a larger project that includes a quantitative survey of FTF members designed to understand how entrepreneurs think about the reasons for incorporating in the for-profit or nonprofit sectors (the results of which we report elsewhere). In 2011 and 2012, we randomly sampled 35 nonprofit organizations and 35 for-profit organizations from the FTF membership directory and, by email and phone, invited founders to participate in the study. After excluding six organizations that we later discovered did not meet our study criteria, the response rate was 72 % ( $n = 24$  for-profits,  $n = 22$  nonprofits). Members from only two organizations declined the interview, and in almost every case we were able to interview the founder of the organization. Sampled organizations were located in various parts of the U.S., so we conducted the interviews by phone. They lasted, on average, 51 minutes and were recorded and transcribed. All names used in this article are pseudonyms, with the sector identified in parentheses (NPO for nonprofit, FPO for for-profit).

The interviews followed a semi-structured format (Weiss 1994). We first asked interviewees to narrate the history of the organization they established, including when it was started, who was involved, and why the interviewee started it. Second, we invited interviewees to talk to us about why they chose to incorporate as a nonprofit or for-profit organization. After giving them a chance to reflect, unprompted, on why they made the decisions they did, we asked interviewees to consider a handful of specific issues—for example, the extent to which

governmental regulations or incentives, public perceptions, their prior work experience, needs that were not being addressed, and so on—were important when making the incorporation decision. We concluded by asking interviewees whether they would make the same decision again, whether they ever thought of switching, and to reflect on what they saw as the benefits or challenges associated with being incorporated in either sector.

To analyze the data, we coded the interview material for themes. We did so through multiple rounds of reading and coding in light of our evolving understanding of the data and their relationship to Scott's writings on the pillars of institutionalism. Full details are available in the appendix.

Conceptually, we assess blurring in the following way. The easiest test is to treat as a null hypothesis the assertion that sector has little relevance to practitioners operating in the fair trade industry. It is theoretically possible that interviewees would be dismissive of sector, which would provide strong support for the idea that sector is an irrelevant concept (at least in this industry). Interviewer accounts indicating otherwise would suggest that sector is, in fact, relevant. Yet the existence of such accounts do not by themselves help us understand the degree to which sector is important. Thus, in order to determine sector's salience, we turn to Scott (2014) who provides indications as to what sector would look like if it is institutionalized as part of the regular fabric of social life—a standard against which to measure sector's significance. For this reason we frame our results with his theory of the three pillars of institutions.

## Results

The blurring hypothesis is typically presented as one-directional: sector boundaries are eroding and will continue to do so. Yet this ignores the possibility that sectors, if conceived of as institutions, may have rule-based, normative, and cultural-cognitive qualities that marshal against their easy decay. Blurring may be a reality, to be sure, but it might be held in check by other social forces that favor stability over change.

### The Regulative Pillar

Sector boundaries are made and sustained, in part, by the laws and regulations that undergird them. This is because rules—the regulatory aspect of sector—shape two important aspects of practitioners' experiences in the fair trade industry: how they generate resources and how they maintain control over their organizations. Despite blurring boundaries, the fact remains that sector is institutionalized in law, which reinforces sector boundaries in the eyes of those who work in them.

### Resources

Nonprofit organizations benefit from tax laws, which provide them access to tax-deductible donations and freedom from paying certain types of taxes. This is, perhaps, one of the most well-known and distinguishing features of nonprofit

organizations, and nonprofit and for-profit practitioners alike speak about them in appreciable ways. As Phoebe Dupont (NPO) expressed, “We would have just had to have a lot more money in order to be a for-profit organization and [to] have to pay for all these things [e.g., tax help, financial consulting] ourselves.” It is a sentiment echoed by her for-profit peers. “There were definitely times,” Forrest Hughes (FPO) reflected, “when we’d be like, ‘Man, I wish we were a nonprofit right now,’ because there are a lot of grant opportunities with foundations that can, say, have criteria that you have to be a nonprofit.”

Not all practitioners felt that nonprofits are unequivocally preferable for resource acquisition, however. Some said that it is easier to raise capital in a business. “I can just go to my bank,” Heather Gonzalez (FPO) told us, “and be like, ‘Holy cow, look at this amazing space that’s available. I’ve been dying to do this.’ And just get a loan and do it.” Surprisingly, very few other interviewees mentioned the availability of bank loans for small businesses as an attractive feature of the for-profit sector. Both for-profit and nonprofit practitioners did comment, though, about the lengthy grant-writing process for nonprofits, with no certainty that time spent writing a proposal would eventually pay off. And some for-profit entrepreneurs were morally opposed to receiving government help.

### *Personal Control*

Whereas many for-profit and nonprofit interviewees regard nonprofits, sometimes with qualification, as benefitting from regulations that provide them with access to donations and other support, practitioners from both sectors feel that regulations governing the sectors have important implications for maintaining personal control over the organization. By “control,” we mean that for-profit entrepreneurs spoke to us about the freedom and flexibility associated with the for-profit form, which is in many ways a function of incorporation laws. Interviewees working in for-profit organizations were nearly unanimous in their judgments that for-profit organizations fare better than nonprofits in this regard. Although there was more heterogeneity in their assessments, many nonprofit practitioners agreed.

It is easier, interviewees told us, to establish a for-profit than a nonprofit. Setting up a nonprofit, Adrienne Reese (FPO) observed, is “more complicated and expensive.” It’s “a heck of a lot easier,” Theo McBride (FPO) concurred, “to set up as a business.” This may be especially true for younger entrepreneurs, who do not have the time, knowledge, or patience to file for 501(c)3 status and who see the business form as a legitimate alternative. When we asked Janelle Paul (FPO) why so many businesses rather than nonprofits were being established in the fair trade industry, she explained:

I think it is primarily because of the difficulty of starting a nonprofit. Or maybe the lack of understanding of how to go about it. Because a lot of the organizations that I’m speaking of were started by, you know, young entrepreneurs like myself in our 20s and we’re just, we may not totally understand the system or how to go about it or how to get the right grants or, you know, all of that stuff.



Entrepreneurs in both sectors also told us that it is easier to run a for-profit organization once it is set up, since owners have flexibility and can make decisions without a government agency or a board of directors “look[ing] over my shoulders” (Alan March, FPO). Indeed, the legal requirement that nonprofits must have a board of directors was especially repellent for some interviewees who wanted the ability to make decisions on their own. Ellen Boyle (FPO) developed a distaste for boards when she observed how deliberating with a board “slowed down” decision making.

Sector boundaries thus possess a regulative element, and practitioners position themselves accordingly. This is true despite innovations that experiment with alternative legal arrangements. Two issues are especially relevant to fair traders, both of which are grounded in the regulatory aspect of sector: the availability of resources and personal control of the organization. Among other things, entrepreneurs’ assessments about sector coalesce around these issues.

### **The Normative Pillar**

Sector boundaries are important not only because practitioners “seek the attendant rewards or wish to avoid sanctions” (Scott 2014, p. 62) based on the laws that define them. They are relevant because different sectors of the economy have, over time, acquired a certain normative quality: Actors in the fair trade industry have ideas about how they are “supposed to behave” (p. 64) depending on the sector in which they are operating. Following Scott, these can be externally imposed (i.e., the “expectations [that] are held by other salient actors” and that “are experienced by the focal actor as external pressure,” p. 64) or they can be internally motivated (i.e., “the preferred or desirable” ways of acting, p. 64). We address them in that order, followed by a discussion of the “binding” (p. 60) nature of these norms.

#### *External Pressures*

With only a handful of exceptions, both nonprofit and for-profit entrepreneurs in the fair trade industry see the public as biased in favor of nonprofit organizations. This is so despite the fact that there are numerous fair trade businesses, many of which are well-known to fair trade consumers. Indeed, nearly three quarters of the interviewees who spoke about public perceptions made comments along these lines. “It gives some validity to the message you put out about what your mission is about,” Juan Torrens (NPO) explained. “If you’re a nonprofit I think customers might believe in that a little bit more than if you were a for-profit.” “It’s one thing to tell them you’re fair trade,” Jack Hamilton (NPO) added, “but it’s quite another ... to say you are genuinely not-for-profit.” “I think there’s a big difference there.” Lee Hogan, an entrepreneur in the for-profit sector, suggests how things look from the for-profit perspective. “People say, ‘Are you a nonprofit?’ and I say [with sarcasm] ‘No, I’m a no-profit.’ You know? It would help. It would actually be a benefit to say I’m a nonprofit.”

It is noteworthy that statements such as these are entrepreneurs’ perceptions of the public’s perceptions, not necessarily statements of their own convictions. The two are sometimes in conflict. Abigail Parker (NPO), for example, conceded that it

is not “necessarily true that nonprofit businesses invest more money back [into the community], but I think it’s a perception that exists.” She therefore operates her nonprofit “like a business” but “hear[s] from people, ‘Oh, you’re a nonprofit, so we can trust you more.’” Statements like this suggest sector is relevant even when one might disagree with the normative assertions that reinforce their boundaries.

There are, of course, exceptions to the feeling that public opinion is more supportive of the nonprofit form. Although less frequently, these came mostly from business practitioners who thought that the public can be skeptical of businesses *and* nonprofits or who felt that people tend to think nonprofits are “inefficient” (Ellen Boyle, FPO).

### *Internal Motivations*

Sector boundaries remain salient because of external pressures—concrete encounters with stakeholders or general impressions of public sentiment—that remind practitioners that sector boundaries are, in fact, meaningful. But normative attributions about sector also come from within the ranks of the fair trade industry. Practitioners themselves have developed normative ideas that they attach to the sectors—reasons why nonprofits or for-profits are better or worse than the other. These shared ideas also reinforce sector boundaries.

Normative notions about sector among fair traders cohere around the idea of markets—their virtues and limits—and take two forms. For-profit organizations are seen as desirable because they allow for a *sustainability* that interviewees connect to market forces at work. Alternatively, nonprofit organizations are seen as desirable because they allow for *freedom from* market forces. These feelings cluster loosely by industry—for-profit entrepreneurs tend to adopt the former and nonprofit entrepreneurs the latter.

For-profit entrepreneurs (and some nonprofit entrepreneurs) talk repeatedly about sustainability. Sustainability, for them, means that for-profits, by virtue of working within the market, are effective, efficient, and empowering—all words that practitioners use with regularity. They are effective because they do not rely on “handouts” (Jonah Quinn, FPO); they are efficient because they respond to market signals and are not “subsidized falsely” (Oliver West, FPO); and they are empowering because the market rewards people for their work. Andrew Lamb (FPO) connects these ideas:

You don’t actually learn how to reduce costs and produce at a certain level of efficiency that can allow you to achieve, you know, unless you operate in the market on your own there. And so, philosophically, the goal is to take the fire hydrant of economic activity, which is, you know, global trade, and kind of redirect it to the global poor. The way you do that sustainably is to get them to actually participate without what are, effectively, economic subsidies. ... Ultimately, in a for-profit model the way you keep going is the bottom line. So, I mean, obviously we have other social measures too, but your sustainability is your bottom line ...

Other entrepreneurs similarly link sustainability to the for-profit form. “For our business to sustain itself,” Nicolas Strickland (FPO) declared, “it needs to make a profit.” He continued, “If you make a profit, you can go on forever.” Tiffany Pennington (FPO) came to the same conclusion. “The business is sustainable because that person is getting a profit.” “Grants,” by contrast, “say, ‘Well, give me a little help here!’ [laughing] ... A sustainable business doesn’t need that help” (Lee Hogan, FPO).

For their part, nonprofit entrepreneurs in the fair trade industry value *freedom from* the market. They thus speak less about the benefits of the market and more about how the market imposes a preoccupation with the financial bottom line. “You’re not there to grab the customer’s money,” according to Judith Ramsden (NPO). “You’re there because fair trade means that someone half-way around the world gets to eat three meals a day instead of once every three days.” Excerpts like this illustrate how some entrepreneurs regard market forces as an encumbrance, which they associate with the for-profit sector. Reliance on market forces alone demands attention to profitability. Injecting non-market support into the work of fair trade, however, loosens the market’s grip.

In contrast to wanting to establish a sustainable enterprise, some nonprofit practitioners do not aspire to a long-term presence. “Our goal is to cease to exist,” Amy Connolly (NPO) said. “We want to go out of business. That’s the end game for us.” Likewise, Sandor James explained, “If you’re trying to get people out of poverty, what you’re trying to do is... make yourself superfluous.” He continued, “You’re trying to work yourself out of business, and that requires an attitude, a charitable attitude, which is not easy to find. That’s why I like charity rather than for-profit.” These cases demonstrate how some entrepreneurs not only place value on being freed from market pressures but actually have a goal to achieve what would be considered the ultimate failure in terms of the market: the dissolution of the organization.

To put a finer point on how different entrepreneurs view the benefits or drawbacks of the market, it helps to consider the issue concretely. One of the main purposes of the fair trade movement is to benefit farming and artisan groups, which are often located in developing nations. If an artisan group is struggling, say, with quality issues that make the trade relationship unprofitable for the Northern importer, then how should the importer respond? The sustainability camp would argue that operating at a loss or using philanthropic funds to sustain the relationship is unwise. It rewards artisans for work whose quality is poor and fails to motivate improvement. The freedom from the market camp, however, regards philanthropic resources as a way to pursue the fair trade mission of helping the struggling artisan group, even if its products are not market-quality. This is what Juan Torrens (NPO) means when he says that financial pressures might cause the organization to “lose some of [their] founding principles.”

The purpose here is not to make a judgment about which approach is more desirable but, rather, to observe that practitioners and their stakeholders have opinions about which approach is more desirable. They have developed ideas about “how things should be done” (Scott 2014, p. 64)—the appropriate way of doing

things in the fair trade context—which they associate with sector boundaries and which, in turn, further strengthens the boundaries.

That said, Scott maintains that the basis of order for the normative pillar is one of “binding expectations” and that violating the norms can result in a sense of shame (p. 60). On this issue, our data provide mixed results, which suggest that the normative pillar is present but perhaps not as strong as it could be. To be sure, some interviewees were enthusiastic about what they saw as the indisputably right way of doing things. They were dogmatic in their approach. But some interviewees equivocated. A single interviewee might thus adopt a vocabulary of for-profit sustainability at one moment and nonprofit freedom from market forces at another. The fact that we found evidence for this in more than a dozen of the interviews suggests a possible fracture in the normative pillar.

### **The Cultural-Cognitive Pillar**

The final pillar—cultural-cognitive—may be the most important of the three. It is certainly the most difficult to discern. To say that institutions are supported, in part, by a cultural-cognitive pillar is to say that institutions acquire a taken-for-grantedness such that it is difficult to imagine things being any other way (Scott 2014). Whereas the regulative and normative pillars exist in plain sight—we can see them encoded in law or hear them articulated as normative assertions—the cultural-cognitive pillar is somewhat hidden from view but is, at the same time, pervasive. It is simply “the way we do things,” the shared assumptions about social life (p. 68). We assert that the cultural-cognitive pillar is the most important of the pillars to the extent that it is the basis of the other two. In order for the regulative and normative pillars to be strong, there must first be cultural-cognitive acceptance. Regulative and normative pillars become durable when cultural-cognitive acceptance is present.

While it may be more difficult to discern the cultural-cognitive pillar than the regulative or normative pillars, it is nevertheless possible to imagine what things would look like if sector is institutionalized in a cultural-cognitive sense. Namely, sector boundaries and the meanings associated with sector would go uncontested. There would be a shared understanding of what sectors are for, and questions about sectors and the roles of organizations within them would go unasked because of the deep agreement among practitioners, policymakers, and publics.

#### *The Taken-for-Grantedness of Sector*

On the one hand, there is a certain level of taken-for-grantedness about sector among some entrepreneurs who see nonprofits as the vehicle for doing good and businesses for earning money. This reflects a traditional understanding of sector boundaries (Frumkin 2013), where the economy is divided three ways, with each sector having a distinct role and identity. That this traditional understanding still characterizes some practitioners’ views is evident in interviewees’ statements, such as one made by Dorothy Williams (NPO), who said simply, “It never crossed our mind to be a for-profit.”

For some entrepreneurs, incorporating as a nonprofit was the obvious choice because of the organization's focus on social mission. Incorporating as a for-profit "wasn't on the table," according to Joanna McLeod (NPO) "because we were so enmeshed in the nonprofit work with [another] project." They were concerned with helping people, "so the only thought was to take the not-for-profit route." Similarly, Jennie Healy (NPO) said, "I would say that, honestly, there was no conversation ever, 'Should we do this for a profit?'" "It was always, 'There's this really high need ... What can we do to [address] it?' And so we're coming from the perspective, you know, making money is just never really [part of the] conversation, quite honestly." Statements like these assert the traditional view of sector by implying that for-profits exist to make profits and nonprofits to pursue mission.

The traditional view of sector revealed itself also in an interview with an entrepreneur who was confused by the questions we asked about sector; the answers seemed obvious to her. Scott notes that this is one outcome of institutionalization. Those who are "at odds" with the prevailing cultural beliefs seem "crazy" or "confused." In this case, the interviewer came across as missing the point, and the interviewee—Holly Chambers (NPO)—felt puzzled. The conversation became increasingly strained. "I wasn't even really ever thinking about ever starting a for-profit company," Chambers explained. The interviewer replied, "So that never came up? It wasn't part of the—" and Chambers interrupted, saying, "Well, it was always nonprofit because we're missionaries. We're working as... it's a mission." For her, it seemed clear why they were operating as a nonprofit: "It was a mission, not a way to make money. Right?" "It's a mission," she repeated, "The whole idea was that it was a mission."

Other aspects of the data provide further evidence of the taken-for-grantedness of sector. For instance, nearly half of the interviewees said that they never seriously considered incorporating in any other way, similar to Carman and Nesbit's (2013) finding that most of their interviewees did not consider incorporating anything other than a nonprofit. Very few of our interviewees likewise said that they ever contemplated switching sectors.

### *Making Sector Non-obvious*

On the other hand, sometimes what once seemed an obvious choice to an entrepreneur moved from the background—that's just how things are—to the foreground, as something at least worth examining. This was Nikki Patel's (FPO) experience. She explained,

We didn't really think about it [i.e., choosing sectors] at all. It was only after being established for maybe 10 or 15 years and we wonder... Cause sometimes people ask us, especially since we've been more actively involved in the fair trade movement, like members of the Fair Trade Federation, and then we've had visitors, especially through governmental agencies or something like that and then they see what we do and then they ask us, well, are you a nonprofit? Where do you get your funding from? And we are like, no, we are a private enterprise. Then we question ourselves after the fact.

Initially for Patel, it was obvious how to approach sector: she saw business as a “natural” way to engage in development efforts. But later, after interactions with others in the fair trade industry and elsewhere, her view of sector was challenged, causing her to consider the benefits or drawbacks of sector in a more critical way. She never switched sectors, but the issue of sector was no longer self-evident. “It’s been recently that we’ve questioned ourselves,” Patel said. “Should we have gone in another direction? Should we establish a nonprofit? Should we split the business up?”

In one particularly telling interview, the very act of the interviewer asking a set of quite neutral questions caused the interviewee to reconsider his prior assumptions. Marcus Cook (FPO) explained that when he established his fair trade business, incorporating as a nonprofit “never even crossed my mind.” Yet shortly after being asked what led him to incorporate as a business instead of a nonprofit, he confessed that maybe he would consider it now, “cause it’s not a bad idea [laughing].” Then, towards the end of the interview, after discussing some of the advantages and disadvantages of working in either sector, we asked Cook whether he had ever considered switching from a business to a nonprofit. He replied, “I mean, now I’ll seriously consider it ... Seriously consider it” and concluded the interview by encouraging us to contact the Fair Trade Federation about “do[ing] a seminar there about nonprofit and for-profit. Maybe a lecture, maybe telling people the options.”

The interviews with Patel and Cook highlight the malleability of the cultural-cognitive aspects of sector for some fair traders, which in turn suggests that the institution is not as entrenched as it could possibly be. In both cases, the actors initially had fairly uncritical views of sector. But what was once obvious to them became, with only a modest amount of questioning, something to reconsider. In contrast to the deep taken-for-grantedness of entrepreneurs like Holly Chambers (NPO), alternative ways of doing and being were not unthinkable and therefore did not confront them as puzzling or odd, as we would expect of powerfully institutionalized features of social life.

Moreover, some entrepreneurs reported never thinking about sector in taken for granted ways. For them, deciding in which sector to incorporate was a matter of deliberation and debate. It was not so much an embedded frame for viewing the decision but, instead, was visible and contested. “It was a big deal,” Forrest Hughes (FPO) recalled. “I actually pushed a little for the nonprofit ... but [my collaborator] was pretty set.” He explained, “He had kind of seen a lot more and he was pretty set on being a for-profit. We definitely debated it, ... you know, we went back and forth. So, I mean, it definitely wasn’t an easy decision.” Similarly, Amy Connolly (FPO) remembers that “it was something I struggled with in the beginning. ... I remember having a meeting with them and saying ‘I’m struggling with this. Is this a for-profit or a not-for-profit? What do I do?’”<sup>2</sup>

Thus, there is variation in the extent to which sector is institutionalized in a cultural-cognitive manner in the fair trade industry. For some, traditional ideas

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<sup>2</sup> Note that while these statements raise questions about the cultural-cognitive embeddedness of sector, they also provide evidence that sector still matters to entrepreneurs making incorporation decisions.

about the purposes of nonprofits and for-profits remain quite fixed. For others, however, there is little orthodoxy about sectors.

## Discussion

The Discussion section addresses two issues. First, we take stock of the data in light of the blurring hypothesis, arguing that the data suggest a more nuanced view of the hypothesis than is typically taken. Second, we reflect on what implications there are for practice, especially for those working in blended spaces. We do not draw normative conclusions but, instead, outline what issues in regards to sector seem important to those working at the sector boundaries. Doing so provides data to aspiring practitioners and policymakers with which they can formulate their own conclusions.

### The Blurring Hypothesis

The first observation we make is that people working in the fair trade industry orient themselves around sector, which suggests caution in adopting the blurring hypothesis uncritically. Practitioners in what may be one of the most highly blended spaces see sector as relevant and consequential. This is true for regulative, normative, and cultural-cognitive reasons. Sector, in other words, has many of the hallmarks of institutionalization, and institutions—by definition—are slow to change.

Even so, not all of the institutional pillars are equally sturdy, and we find fissures in each. Based on our reading of the data, the regulative pillar—the laws and regulations that reinforce sector boundaries—is the most durable of all the pillars. Yet it may also be the easiest to dismantle. Indeed, alternative legal arrangements exist that already complicate sector boundaries (Reiser 2010, 2011). Nevertheless, there is little evidence that the fundamental regulatory structure that bestows privileges (and burdens) on organizations depending on their tax status will be subject to a major overhaul in the near future, so it is likely that practitioners will continue to see sector—at least in a regulative sense—as an issue of no small importance.

While the normative pillar also remains in place—there are shared “conceptions of the preferred or the desirable” as well as ideas about “how things should be done” (Scott 2014, p. 64)—it lacks the strong obligatory element that Scott sees as an important part of normative institutionalization. It is surprising that despite widespread excitement about various forms of blended enterprise—social enterprise ventures, corporate social responsibility, social entrepreneurship, and the like—practitioners in both sectors generally feel that the public trusts nonprofits over businesses when it comes to organized efforts to pursue a social mission. There are exceptions, but the normative pillar seems remarkably intact in this regard. The entrepreneurs themselves also have normative ideas about which sector is better, further strengthening the normative pillar and, hence, the institutionalized nature of sector. Yet it is here that we see also some signs of weakness. Very few of the

entrepreneurs whom we interviewed were dogmatic about sector. Or, if they were insistent that nonprofits (or for-profits) were superior on some particular point, then they were also observant of the fact that for-profits (or nonprofits) had their own desirable qualities.

We see the cultural-cognitive pillar as being the most foundational of all the pillars, and on this we report mixed results. Here we are concerned with the extent to which sectors—their boundaries and the meanings attributed to them—are actively considered (reflected on, debated, and the like) or whether they are so engrained as to make them uncontested (and uncontestable). If blurring is to take place, then it surely must become conceivable to those working in blended spaces. To the contrary, in some cases we found entrepreneurs holding to traditional notions of sector. To be clear, these were not just entrepreneurs who had normative ideas about which sector they like better and for what particular reasons. Rather, these were entrepreneurs who had a difficult time imagining that for-profits could be used primarily for the pursuit of social mission or that nonprofits might be an appropriate vehicle for engaging in trade relationships between Southern producers and Northern importers. Yet we also spoke to practitioners who had no such sensibilities or whose views became more expansive simply by being asked questions about sector. The fact that there exist a number of entrepreneurs who fall within this latter camp suggests by itself that the cultural-cognitive pillar is not as strong as it could be in an ideal-typical sense.

We summarize with two points and then offer one reflection. First, we could declare strong support for the blurring hypothesis if, in this blended space, sector boundaries were peripheral to the lives of those working in fair trade organizations. They are not. They remain an important part of the organizational landscape. Second, while sector has all of the trappings of institutionalization, it would be fair to say that it is not wholly institutionalized. At least we do not find evidence of all of the qualities for each of the pillars that Scott suggests are characteristic of ideal-typical institutions. Ideal types are not necessarily the same as reality (Swedberg 2014), however, and it is unclear at this point how sector has changed over time. We thus maintain that the blurring hypothesis is overstated.

Whether the blurring hypothesis provides an accurate portrayal of reality depends, in part, on how we define blurring. If blurring is understood as sector losing its importance (Anheier and Seibel 1990; Bromley and Meyer 2014; Langton 1987; Weisbrod 1997; Young et al. 2012), which it often is, then the data do not strongly favor the hypothesis. Sector, in concrete ways, still matters, and it matters for more than legal reasons. Practitioners orient themselves around it, and sector choices have material consequences. While certain practices across sector boundaries may be shared, this does not erase the fact that sector is still relevant to those working in blended spaces.

What we see, instead, by trying to look through the eyes of entrepreneurs, is an increase in for-profit attempts to pursue social missions. This is different than sector boundaries losing their importance. For-profit models can become increasingly popular while sector distinctions persist. For-profit organizations and nonprofit



organizations remain as different social entities, a point that the blurring hypothesis overlooks.

Finally, we asserted that the institution of sector is still in place but that it may be weak in some respects. Because we lack comparable data from prior time periods, it is difficult to know whether these weaknesses in the pillars have always been there or whether they are, in fact, initial evidence of the blurring hypothesis. Many see sectors boundaries as having long been contested areas (Brody 1996; Hall 1992), so the pace at which blurring is happening, if it is happening at all, remains an open question. It is possible that the blurring hypothesis is credible but that changes are happening at a much slower pace than the literature suggests.

### **Implications for Practitioners**

Our research suggests practical implications for those working in (or aspiring to work in) blended spaces. Although we have framed the results in terms of Scott's theory of the pillars of institutions, this should not distract from the more pragmatic observation that we have identified a handful of issues related to sector that practitioners in this particularly blended space talk about as meaningful. Of all of the possible things that entrepreneurs could mention, there are only a few that come up regularly in interviews. These have to do with interviewees' perceptions about how others regard the form, personal control of the organization, access to resources, and performance-based issues related to ideas about the market.

Whereas in our prior study (Child et al. 2014) we isolated those issues that entrepreneurs saw as salient when initially deciding to incorporate, in this article we report primarily on their present evaluations. The reasons that an entrepreneur may have incorporated an organization as a nonprofit or for-profit two decades ago may not be the same reasons that they see the nonprofit or for-profit form as more or less desirable today. Indeed, when interviewees spoke about their founding decisions, we were able to discern a number of non-instrumental reasons for their decisions. Their present evaluations, by contrast, are quite instrumental.

Practitioners should therefore take caution to consider instrumental factors when deciding whether to incorporate as a for-profit or a nonprofit. While expressive factors such as the desire to pursue a social mission, to adhere to strict moral and ethical codes, and to do meaningful work are all important, the experienced entrepreneur does not identify these as concerns that favor one sector over the other. Entrepreneurs with the gift of hindsight instead identify public perception, autonomy, and access to resources as key deciding factors that distinguish for-profits from nonprofits. Thus, new founders would do well to explicitly examine these concerns when selecting an organizational form.

Notwithstanding all of the attention given to blurring of boundaries, it remains the case that entrepreneurs will have to make concrete choices about whether to incorporate (or work in or collaborate with) organizations that have a nonprofit or for-profit status. We submit that the results of this study will help provide guidance to practitioners as they consider which choice is best for their particular circumstances.

## Limitations of the Study

One limitation of this study is that conclusions are drawn from the limited and unique subset of fair trade entrepreneurs. The experiences of those working in blended spaces other than the fair trade industry could be examined and compared to validate our results. Examination of organizations outside the United States would also allow for cross-cultural comparisons that we could not make using the present data.

A second limitation of our study is that we operationalize the concept of “sector” in fairly structural terms. By focusing on the distinction between for-profits and nonprofits (rather than, for example, the outcomes of a cross-sector collaboration), we limit our findings to this one dimension and may miss other important patterns about institutions more generally. A focus on alternative differences between organizations—and application of a different analytic framework, for that matter—could yield different results.

In a similar vein, we have narrowed the scope of our analysis to examine the perceived differences between for-profit and nonprofit sectors, rather than examining the full complement of possible alternatives. For example, we have omitted comparisons between either the private or nonprofit sector and the public sector, which comprise a substantial portion of the current research on sector blurring, inter-sector relations, and sector comparisons more generally (e.g., Bozeman 1988; Gazley and Brudney 2007; Miller-Stevens et al. 2014; Rainey et al. 1976; Witesman and Fernandez 2012). Likewise, we do not consider collaborative relationships at length here, which would no doubt add nuance to our findings to the extent that successful cross-sector partnerships emphasize results instead of inputs tied to the respective sectors (John et al. 1994). And while we discuss some ways in which values are different across sectors, we recognize that there are in fact many similarities as well (Helmig et al. 2014). In short, we view our focus on for-profit/nonprofit comparisons as unique and valuable, but we acknowledge that the comparison examined in this research forms a small subset of a much broader conversation.

Another possible limitation is that, as observed in our interview with Marcus Cook, the nature of our research methodology may itself cause reflections about sector differences and sector blurring that our interviewees may not otherwise have considered. Thus, the interview itself may have changed the ways in which entrepreneurs view and report on their perceptions of the sectors, sector blurring, and sector choice, thereby impacting our results. While we took caution to order the flow of our interviews to reduce such bias, it is nonetheless possible that the mere suggestion that interviewees consider, describe, and explain their sector choice process might have influenced the way they reported on these phenomena.

## Conclusion

In conclusion, this article has reported on how entrepreneurs in blended spaces think about sector. The findings have relevance for theory and practice. First, the data provide an opportunity to scrutinize the blurring hypothesis and to develop a better

understanding of blurring from the perspectives of those working in blended spaces. On this account, we suggest prudence to those adopting the blurring hypothesis. Sector, as an institution, is durable to change for a variety of reasons (Scott 2014). Our assertion that the blurring hypothesis has been overstated, however, does not prevent us from recognizing areas where the institutional pillars show their limits. Second, the data provide insights for social entrepreneurs and others interested in blended spaces. As they think about the benefits or drawbacks of different organizational forms, the experiences of those already working in a quintessentially blended space may prove useful.

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## Appendix

Analysis for this article extends earlier work we conducted on a related topic. In a prior study, we used these data to examine the initial incorporation decisions of founders (Child et al. 2014). For the current article, we revisited and recoded the data with an eye towards founders' present evaluations of sector. Sometimes they are different, as in the case of Jack Hamilton (NPO), who explained that he initially thought incorporating as a nonprofit "would be important" to his store's customers. But "in hindsight... it doesn't seem to be as important to [people] as I might have expected it to be." Being able to attract and maintain a staff committed to the nonprofit mission, however, "wasn't important" to Hamilton "when [he] made the [incorporation] decision but has now become very, very important." We thus identified and coded evaluative statements made by interviewees, which we defined as present-oriented judgments about the perceived benefits or drawbacks of managing a nonprofit or for-profit organization. Some such statements were made in direct response to questions in the interview guide. Others were made incidentally throughout the interview. In all, we considered approximately 430 evaluative statements. Two of the authors coded these data, regularly checking on each others' work for consistency.

Through multiple rounds of reading and coding, we identified for which issues, if any, sector is salient for the entrepreneurs in question. We first located the relevant parts of the interview and applied first-level codes. For example, a statement made by Kristi Sullivan—"The huge downside of having a nonprofit is having a board"—received a first-level code that flagged this as an excerpt dealing with the negative aspects of having a board of directors. Later, through a process similar to what some call axial coding (Strauss and Corbin 1998), we grouped the codes according to thematic similarities. Thus, codes for boards of directors, flexibility, ownership of the enterprise, and so on were linked under a broader, second-level code named control, referring to the issue of control that many entrepreneurs discussed during the interviews. First-level codes dealing with issues such as government grants, charitable donations, volunteers, and the like were subsumed under the second-level

code, resources. And first-level codes referring to the sustainability of the enterprise, its effectiveness, efficiency, accountability, and mission-orientation were grouped under performance, which we later came to understand as related to ideas about the market. The first-level code for public perceptions required no second-level code, since there were no comparable codes with which to cluster it. These themes appear throughout the narrative. Not all evaluative statements fit into these four main themes, and we mention them in the text where relevant.

To ensure that we were judicious in our statements about patterns in the data, we created multiple analytical matrices (Miles and Huberman 1994). For each broad theme (control, resources, etc.), we listed the interviewees and identified whether, read holistically, the codes for that theme in that particular transcript favored the nonprofit form, the for-profit form, or both. We further identified the nature of the evaluative statement by determining whether it favored the particular form by extolling its virtues or criticizing the opposite form (or some combination). The illustrative quote in the preceding paragraph, for example, would be coded as favoring the for-profit form by criticizing the nonprofit form. In the aggregate, these matrices provide a bird's-eye view of the data. They were constructed primarily for heuristic purposes during analysis and as a validity check while reporting on the results, but they are available to the reader upon request.

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