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“LAS ORGANIZACIONES HÍBRIDAS ANTE LÓGICAS INSTITUCIONALES CONTRADICTORIAS: EL CASO DE ESTRATEGIAS DE GENERACIÓN DE INGRESOS PROPIOS EN ORGANIZACIONES SIN ÁNIMO DE LUCRO”

“UNDERSTANDING HYBRID ORGANIZATIONS’ RESPONSES TO CONFLICTING INSTITUTIONAL LOGICS: THE CASE OF NONPROFITS’ EARNED INCOME STRATEGIES”

María Ballesteros-Sola

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ABSTRACT

This dissertation explores the role of conflicting institutional logics in the development of earned income strategies in established nonprofit organizations, understood as a low hybridity context. As nonprofits engage in earned income strategies a hybridization process starts that may or may not deliver the expected outcomes. Hybrid organizations are defined as those that embody multiple identities, forms, or institutional logics. With the Institutional Logics Perspective as the theoretical background, this dissertation uses an exploratory multi-case study of three Californian nonprofits: Community Roots Garden, Habitat for Humanity and Homeboy Industries to unveil a theoretical model for organizational hybridization in this context. It uncovers a theoretical typology of nonprofit hybrids: *Egg (*stalled hybrid*), Chrysalis* (in transition) and *Butterfly* (mature hybrid) and the specific intra-organizational mechanisms that allow reconciling multiple logics within a single organizational form. This study bridges the gap between nonprofit and entrepreneurship studies as well as research on hybridity at organizational and micro levels by connecting the hybridization of the organization to the activities (and even self-hybridization) of their leaders and micro-actors. It also expands previous characterization of the ideal social and business logics across new dimensions that could be used by hybrid researchers.

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LIST OF ABREVIATIONS

CEO	Chief Executive Officer
CRG	Community Roots Garden
CSR	Corporate Social Responsibility
CSUCI	California State University Channel Islands
ED	Executive Director
EIS	Earned Income Strategies
FPID	For-Profit in Disguise
HBI	Homeboy Industries
HfHI	Habitat for Humanity International
HfHVC	Habitat for Humanity Ventura County
HO	Hybrid Organization
i.e.	id est (that is)
IRB	Institutional Review Board
IRS	Internal Revenue Service
JFF	Jobs for a Future
MFI	Microfinance Institutions
NPO	Nonprofit Organizations
PMB	Profit-Maximization Business
SCORE	Service Corps of Retired Executives
SE	Social Enterprise
UBI	Unrelated Business Income
WISE	Work Integration Social Enterprise

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"Saint Paul challenges us to 'dedicate ourselves to thankfulness,' and so I will."
-Father Boyle, 2010

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CHAPTER ONE: INTRODUCTION

This dissertation aims to explore the phenomenon by which some established nonprofit organizations that start an earned income strategy are able to move the ventures forward and some are not. Specifically, we seek to understand the influence of conflicting logics on the entrepreneurial process of social enterprises, understood as an ideal type of hybrid organization (Battilana & Lee, 2014) in a very specific organizational context: nonprofit organizations. Hybrid organizations are defined as those that embody multiple identities, forms, or institutional logics (Battilana & Lee, 2014).

For the purpose of this dissertation we will use the words “social enterprise” and “earned income strategies” indistinctively to refer to market-based solutions started by an established nonprofit organization (See Appendix A for a discussion on social entrepreneurship definitions).

There is a growing body of scholarly literature and academic conferences validating the importance of hybrid organizations in organizational studies, (Battilana & Lee, 2014, Pache & Santos 2013) as well as in practitioner-oriented publications ("Special Issue on Hybrid Organizations," 2015). Recent research on hybridity has started to conceptualize it as a more permanent phenomenon (Besharov & Smith, 2014) leading to the concept of “institutional plurality”. However, “how” Hybrid Organizations select and/or combine multiple institutional logics in the organizational context of established nonprofits organizations (Kraatz & Block, 2008), and the role (if any) of micro-actors in this process (Pache & Santos, 2013) is less understood.

Within the broad spectrum of social enterprises, this dissertation focuses on an objectively defined organizational subtype: Social Enterprises started by Nonprofit Organizations (NPO), with tax-exempt status under U.S. Internal Revenue Code 501(c)(3).

Nonprofits' social enterprises, also called Earned Income Strategies (EIS) (Dees, 1998) (Oster, Massarsky, & Beinhacker, 2004), involve the use of market-based solutions to alleviate or eradicate social issues. The growing preeminence of the phenomenon (Kickul & Lyons, 2016; Oster et al., 2004), combined with the lack of specific scholarly work focus on this specific organizational context (NPO), has motivated my research focus. Despite their growing presence, there isn't a clear understanding of the idiosyncrasy of these types of social enterprises.

There is scant literature analyzing the hybridization phenomena in this concrete organizational context or the impact of conflicting logics, the factors that lead to a successful establishment of these social enterprises, as well as the role of individuals in this process.

Advancing social entrepreneurship as a distinctive scholarly field requires identifying, analyzing and understanding the nuances of each organizational context. To place Father Boyle, the founder of the innovative nonprofit Homeboy Industries (one of the cases in our sample), and Blake Myscoskie, the founder of for-profit TOMS Shoes, under the same umbrella defining them as "individual heroic social entrepreneurs" may endanger the advancement of the social entrepreneurship field. TOMS Shoes was created as a for-profit organization that developed the now famous One for One® model as way to

promote their products while creating social impact. On the contrary, Homeboy Industries, in its first iteration as Jobs for a Future, started as a pure nonprofit that aimed to help ex-gang members in downtown Los Angeles (California), so the process leading to their success as well as the weight of earned income strategies over their total annual revenues is very different. TOMS Shoes is 100% funded by sales, and Homeboy Industries has a diversified revenue mix (grants, donations, and sales). Earned income strategies represent less than 50% of their annual $16M revenues. In layman's words, comparing Blake Myscoskie and Father Boyle would be like comparing apples to oranges.

We use an Institutional Logics Perspective (hereafter ILP) (Friedland & Alford, 1991); Thornton, Ocasio & Lounsbury, 2012) to analyze these phenomena at organizational and individual levels. Institutional logics have been broadly defined as patterns of beliefs, practices, values, assumptions and rules that determine what is meaningful and legitimate in a given field (Thornton, Ocasio, & Lounsbury, 2012).

The two institutional logics that conflict in social enterprises are the *social welfare* logic*,* characterized by a mission-driven approach, and the *business or market* logic*,* driven by a profit maximization objective guided by efficiency and cost savings (Pache & Santos, 2013b). The *social welfare* logic uses a nonprofit organizational form because it allows for democratic governance, it enforces non-distribution constraints to focus organizational efforts on the social goals, and it drives professional legitimacy based on the contribution to the social mission. On the contrary, the *business* logic uses a for-profit legal structure that allows for individual ownership, profits distribution, hierarchical control, and

drives professional legitimacy based on technical and managerial experience (Pache and Santos, 2013 b). Nonprofit organizations - also called the Third Sector - can be understood as an organizational field with *low hybridity* context, or *shallow* hybridity (Billis, 2010). As these NPOs decide to engage in earned income strategies, they start a hybridization process, where a dominant logic (the *social)* starts interacting with a non-dominant, non-core logic (the *business* one). This “hybrid organizing” is defined as “the activities, structures, processes, and meaning by which organizations make sense of and combine aspects of multiple organizational forms” (Battilana & Lee, 2014, p.389).

Therefore, the key questions to answer are: How do established nonprofits engage in earned income strategies? What is the role of institutional logics in the hybridization process? What is (if any) the role and response of micro-actors to in the “hybrid organizing” process? How do those responses relate to the outcome of the earned income strategies?

Our research follows an interpretivist tradition that aims to gain a deeper understanding of the phenomenon by interpreting the different perspectives of those involved in it. Since our ultimate goal isn’t replication, but to make sense of multiple realities surrounding organizational activities in a unique setting, a positivist/functionalist approach is not a good fit. For that reason, we opt for a qualitative approach.

By using an exploratory multi-case study (Yin, 2014) of three Californian nonprofit organizations currently engaged or planning to engage in social enterprises, we confirm the co-existence of conflicting institutional logics in these settings, unveil a typology of nonprofits, and explore the integrating

mechanisms and the role of micro-actors as key factors to explain the success in this new pluralistic environment.

We follow an analytical process in three sequential steps. We first address the presence of both logics in each of the organizations in our sample by using a pattern matching technique (Reay and Jones, 2015), comparing information obtained in our data to the ideal types described in hybrid literature (Pache and Santos, 2013a; Battilana & Dorado, 2010). After the individual case analysis, we perform a cross-case analysis to establish differences and similarities between cases. We then highlight the conflicts, tensions, and dilemmas identified among those logics across cases. Then, we follow with a description of the hybridization process, a set of emerging nonprofit hybrid types based on an inductive approach, and finish with a set of key findings that emerge during the analysis.

This dissertation expands existing work on hybrid organizations by focusing on a narrower organizational setting with low or shallow hybridity, the one formed by established nonprofit 501(c)(3) organizations with some degree of earned income strategies.

We also expand the scholarly understanding of social enterprises or earned income strategies in nonprofit literature by moving away from conceptual debates about its appropriateness and re-focusing attention to the process at both organizational and individual levels. Our research is also relevant for practitioners in the Third Sector; as they try to balance financial and programmatic sustainability and consider revenue-generating ideas in novel ways, they will find our conclusions also of interest.

This dissertation is organized as follows. The next Chapter explains our research motivation, the concept of hybrid organizations, and connects it to the scholarly field of social entrepreneurship and social enterprises, establishing its growing importance and the rationale for its study. It displays the conceptual groundings and key research questions addressed by this dissertation. A literature review follows in Chapter 3, including a detailed review of a priori disconnected streams: hybrid organizations, nonprofits' earned income strategies, and a review of the theoretical lens used in this proposal, the Institutional Logics Perspective (ILP). Next, Chapter 4 follows with the methodological framework used. Chapter 5 includes an individual descriptive narrative of each of the three cases providing context for the ulterior analysis. Chapter 6 incorporates the emergent data, as well as a thorough discussion of the findings, including a typology of hybrids based on the degree of maturity of the earned income strategy. We close with Chapter 7, Conclusions, discussing the findings and their implications for future research efforts as well as our research's contributions and limitations.

Keywords clarification

Social enterprise or *earned income strategies* - the set of activities developed by nonprofits aiming to generate revenues by providing products or services to some extent in a self-sustaining manner, and that can be related or not to the nonprofit's primary mission.

Nonprofit organizations are those that have been granted tax state status by the US Internal Revenue Code 501(c)(3).

We also refer to *nonprofit organizations* and *Third Sector* indistinctively.

CAPÍTULO UNO: INTRODUCCIÓN

Esta tesis tiene el propósito de explorar el fenómeno en virtud del cual algunas organizaciones sin ánimo de lucro que emprenden una estrategia de generación de ingresos propios son capaces de sacar adelante estas iniciativas mientras que otras no. Concretamente, nuestro objetivo es comprender la influencia que ejercen las lógicas en conflicto en el proceso de emprendimiento de las empresas sociales, entendidas como un arquetipo de organización híbrida (Battilana & Lee, 2014) en un contexto organizativo muy específico: las organizaciones sin ánimo de lucro. Las organizaciones híbridas se definen como aquellas que incorporan diversas identidades, formas o lógicas institucionales (Battilana y Lee, 2014).

A efectos de esta tesis utilizaremos las expresiones “empresa social” y “estrategias de generación de ingresos propios” de forma indistinta para aludir a la solución orientada al mercado acometida por una organización sin ánimo de lucro determinada. (Cf. Apéndice A para un análisis de las definiciones).

Existe un creciente corpus de literatura y conferencias académicas que refrenda la importancia de las organizaciones híbridas en los estudios organizativos (Battilana y Lee, 2014, Pache y Santos 2013a), así como en publicaciones de índole profesional (Special Issue on Hybrid Organizations, 2015). Los estudios más recientes acerca de la hibridez han empezado a concebirla como un fenómeno de índole más permanente (Besharov y Smith, 2014), lo que ha desembocado en el concepto de pluralidad institucional. No obstante el “cómo” las Organizaciones Híbridas seleccionan y/o combinan

diversas lógicas institucionales en el contexto organizativo de las organizaciones sin ánimo de lucro actuales (Kraatz y Block, 2008) y el papel de los microactores (en caso de que lo hubiera) en este proceso es algo mucho más desconocido.

Dentro del amplio abanico de Empresas Sociales, esta tesis se centra en un subtipo organizativo con una definición objetiva: las Empresas Sociales fundadas por Organizaciones Sin Ánimo de Lucro (NPO en sus siglas en inglés), exentas de impuestos bajo el Internal Revenue Code 501(c)(3) de EEUU.

Las Empresas Sociales de organizaciones sin ánimo de lucro, también llamadas estrategias de generación de ingresos propios (EIS, en sus siglas en inglés) (Dees, 1998, Oster et al., 2004) implican la utilización de soluciones orientadas al mercado para mitigar o erradicar problemas sociales. El papel cada vez más destacado de este fenómeno (Kickul & Lyons, 2016; Oster et al., 2004) junto con la falta de trabajos académicos que se centren en este contexto organizativo concreto (NPO) es lo que ha motivado el presente trabajo de investigación. A pesar de que su número va en aumento, no existe una comprensión clara de la idiosincrasia de estos tipos de empresas sociales.

No existe demasiada literatura que analice el fenómeno de hibridación en este contexto organizativo en concreto o el impacto de las lógicas en conflicto, los factores que conducen a la implantación exitosa de estas empresas sociales o el papel de los individuos en este proceso.

Reivindicar el emprendimiento social como un campo académico con entidad propia exige identificar, analizar y entender los matices de cada contexto

organizativo. Meter en el mismo saco al padre Boyle, fundador de la organización sin ánimo de lucro Homeboy Industries (uno de los casos incluidos en nuestra muestra) y a Blake Myscoskie, el fundador de la empresa TOMS Shoes, definiéndolos como “heroicos emprendedores sociales” puede frenar los avances en este campo. TOMS Shoes se creó como una organización con ánimo de lucro que desarrolló el hoy famoso modelo *One for One*© como el sistema para promocionar sus productos y generar un impacto social. Por el contrario, Homeboy Industries, en su primera encarnación como *Jobs for a Future*, comenzó como una organización puramente sin ánimo de lucro que buscaba ayudar a miembros de bandas callejeras del centro de Los Ángeles, de tal modo que el proceso que condujo a su éxito así como el peso de las estrategias de generación de ingresos propios sobre su facturación total anual son completamente distintos. TOMS Shoes se financia al 100% con sus ventas, mientras que Homeboy Industries tiene fuentes de ingresos diversificadas (becas, donaciones y ventas). Las estrategias de generación de ingresos propios representan menos del 50% de su facturación anual de 16 millones de dólares. Para entendernos, comparar a Blake Myscoskie con el padre Boyle es mezclar churras con merinas. Como lente teorica utilizaremos una Perspectiva de Lógicas Institucionales (en lo sucesivo, ILP en sus siglas en inglés) (Friedland y Alford, 1991; Thornton, Ocasio y Lounsbury, 2012) para analizar estos fenómenos a nivel organizativo e individual. Las lógicas institucionales se definen *grosso modo* como patrones de creencias, prácticas, valores, asunciones y reglas que determinan lo que es significativo y legítimo en un campo concreto (Thornton et al., 2012).

Las dos lógicas institucionales que entran en conflicto en las empresas sociales son la *lógica del bienestar social*, caracterizada por un enfoque basado en la misión, y *la lógica comercial o de mercado*, marcada por el objetivo de la maximización de beneficios basada en la eficiencia y el ahorro en costes (Pache & Santos, 2013b). La *lógica del bienestar social* utiliza una forma organizativa sin ánimo de lucro porque esta permite una gobernanza democrática, aplica restricciones no distributivas para centrar los esfuerzos organizativos en los fines sociales e impulsa una legitimidad profesional arraigada en la contribución a la misión social. Por el contrario, la *lógica comercial* utiliza una estructura legal con ánimo de lucro que permite la propiedad individual, la distribución de beneficios y el control jerárquico, y promueve una legitimidad profesional basada en la pericia técnica y de gestión (Pache & Santos, 2013b). Las organizaciones sin ánimo de lucro –también llamadas el Tercer Sector– se pueden concebir como un campo organizativo con un contexto híbrido reducido, o una "hibridez superficial" (Billis, 2010). Cuando estas NPO deciden apostar por estrategias de generación de ingresos propios inician un proceso de hibridación en el que una lógica dominante (la *social*) comienza a interactuar con una lógica no dominante y periférica (la *comercial*). Esta "organización híbrida" se define como "las actividades, las estructuras, los procesos y el significado por medio del cual las organizaciones combinan y abarcan los aspectos de múltiples formas organizativas" (Battilana y Lee, p. 389).

La preguntas claves que debemos responder, pues, son: ¿de qué maneras desarollan estrategias de generación de ingresos propios las organizaciones

sin ánimo de lucro? ¿Qué papel desempeñan las lógicas institucionales en el proceso de hibridación? ¿Cuál es el papel y la respuesta (si es que los tienen) de los microactores en el proceso de "organización híbrida"? ¿Qué relación guardan estas respuestas con las estrategias de generación de ingresos propios?

Nuestra investigación se guía por una tradición interpretativa que busca alcanzar una comprensión más profunda del fenómeno interpretando las diversas perspectivas de quienes están implicados en él. Dado que nuestro objetivo último no era la réplica, sino dilucidar las múltiples realidades asociadas a las actividades organizativas con un único entorno, el enfoque positivista/funcionalista no acababa de encajar. Ese fue el motivo por el que adoptamos un enfoque cualitativo.

Al utilizar un estudio exploratorio multi-caso (Yin, 2014) de tres organizaciones californianas sin ánimo de lucro implicadas en empresas sociales o con la intención de hacerlo, hemos confirmado la coexistencia de lógicas institucionales en conflicto en esos entornos, hemos revelado una tipología de organizaciones sin ánimo de lucro y hemos explorado los mecanismos de integración y el papel de los micro-actores como factores clave para explicar el éxito en este nuevo entorno plural.

Hemos seguido un proceso analítico en tres pasos consecutivos. En primer lugar, hemos abordado la presencia de ambas lógicas en cada una de las organizaciones de nuestra muestra por medio de una técnica de comparación de patrones (Reay y Jones, 2015), comparando la información obtenida en nuestros datos con los tipos ideales descritos en la literatura híbrida (Pache y

Santos, 2013 a) b); Battilana y Dorado, 2010). Tras el análisis de los casos individuales, hemos llevado a cabo un análisis cruzado de los casos para establecer las diferencias y similitudes entre ellos. A continuación, hemos destacado los conflictos, las tensiones y los dilemas que se identifican en esas lógicas entre casos. Posteriormente, hemos pasado a analizar el proceso de hibridación –la definición de un conjunto de tipos híbridos de organización sin ánimo de lucro basada en un enfoque inductivo– para luego terminar con una serie de conclusiones fundamentales que han ido aflorando durante el análisis. Esta tesis ahonda en el trabajo que ya se ha llevado a cabo en el terreno de las Organizaciones Híbridas, centrándose en un contexto organizativo más reducido, con una hibridez baja o "superficial", que es la que muestran las organizaciones 501(c)(3) existentes con algún grado de estrategia de generación de ingresos propios.

También profundizamos en la visión académica de las empresas sociales o las estrategias de generación de ingresos propios en la literatura acerca de las organizaciones sin ánimo de lucro, dejando de lado debates conceptuales en lo tocante a su idoneidad y concentrándonos en cambio en el proceso a escala organizativa e individual. Nuestra investigación también es relevante para los profesionales del Tercer Sector, que considerarán de interés nuestras conclusiones en su intento de mantener un equilibrio entre la sostenibilidad financiera y programática, así como en la búsqueda de enfoques novedosos a la hora de generar ingresos.

La tesis está estructurada de la siguiente forma. El próximo Capítulo desgrana

los motivos de nuestra investigación y el concepto de las organizaciones híbridas, y lo pone en relación con el campo del emprendimiento social, estableciendo su creciente importancia y la lógica del presente estudio. Muestra los cimientos conceptuales y las principales cuestiones de la investigación abordados en esta tesis. El Capítulo 3 comprende un examen de las publicaciones, incluyendo areas de investigación aparentemente dispares: las organizaciones híbridas, las estrategias de generación de ingresos propios de las organizaciones sin ánimo de lucro y un análisis de la óptica teórica que utilizamos en esta propuesta, la Perspectiva de las Lógicas Institucionales (ILP, en sus siglas en inglés). A continuación, el Capítulo 4 aborda el marco metodológico empleado. El Capítulo 5 incluye un relato descriptivo individual de cada uno de los tres casos, proporcionando el contexto necesario para el análisis posterior. El Capítulo 6 incorpora los datos resultantes y un análisis exhaustivo de las conclusiones, incluyendo una tipología de modalidades híbridas basada en el grado de madurez de la estrategia de generación de ingresos propios. Por último, el Capítulo 7, Conclusiones, aborda las diversas conclusiones alcanzadas y sus implicaciones para las futuras iniciativas de investigación, así como las contribuciones y limitaciones de nuestra investigación.

Aclaración de palabras clave

Empresa social o *estrategias de generación de ingresos propios*: el conjunto de actividades llevadas a cabo por organizaciones sin ánimo de lucro con el objetivo de generar ingresos por medio de una oferta de productos o servicios que les permita cierto grado de autonomía y que pueden estar relacionadas o no con la misión principal de la organización.

Organizaciones sin ánimo de lucro son aquellas que gozan de exenciones fiscales de acuerdo con el US Internal Revenue Code 501(c)(3).

También se consideran intercambiables los apelativos de *organización sin ánimo de lucro* y *Tercer Sector*.

CHAPTER TWO: MOTIVATION: HYBRID ORGANIZATIONS, A PHENOMENON WORTH INVESTIGATING?

The word “hybrid”, a Gallicism from the renascent science, was incorporated into English in 19th century. The original word comes from the Latin word “*hybrid, -ae”,* and it is used in Plinio’s Naturalis Historia and Suetonio, Horacio and Marcial’s work, understood as "child of parents from different countries or from different social stratus” (Onions, Friedrichsen, & Burchfield, 1966). In biology, a hybrid is the result of mixing two plants or animals of different breeds, species or genera (Britannica, 2015).

Within management literature, broad diversity exists in the meaning, use, and study of hybrids. Scholars (Jolink & Niesten, 2012) reviewed recent literature on hybrids defined in a broad sense as “collaborations between independent organizations that exchange and co-develop goods and services to create value, reduce agency and transaction costs and allocate residual claims, by combining resources, organizing information and safeguarding contractual hazards and property rights” such as joint ventures, franchising licensing, networks, alliances, etc. (p.152). Dynamics and the environments of hybrids surface as still unsolved problems within this broad contextual definition. The term “hybrid organizations” is also used by Third Sector scholars to refer to organizations that embody characteristics from more than one sector (public, private, and third), including among them a broad range of organizations, from partially nationalized banks to social enterprises, including Fannie Mae and Freddie Mac (Billis, 2010).

Within this broad conceptual landscape of hybrids, we follow well-respected hybrid organizational scholars Battilana and Lee's HO definition as organizations that combine aspects of multiple organizational forms and blend together logics previously seen as incompatible (Battilana & Lee, 2014). Some examples of hybrid organizations are the French Work Integration Social Enterprises (WISE) in Pache and Santos (2013b) and the Bolivian Microfinance Institutions (MFI) in Battilana and Dorado (2010).

Battilana and Lee take a step further and define social enterprises as "an ideal type of hybrid organization" (Battilana & Lee, 2014, p. 399). Social entrepreneurship refers to the process of creating social value through market-based means (Austin, Stevenson & Wei-Skillern, 2006; Mair & Marti, 2006). Social enterprises (SE), i.e. organizations engaged in social entrepreneurship, differ from traditional nonprofit organizations (NPO) on the means to achieve their goals, and from profit-maximization businesses (PMB) with peripheral Corporate Social Responsibility (CSR) activities in the centrality of their social mission. SE merges a *commercial* logic driven by business principles (cost-effectiveness, quality of offerings, financial sustainability, profit maximization, hierarchical governance, etc.) with a *welfare or social* logic driven by their social mission and democratic governance (Pache & Santos, 2013). These logics can conflict, creating tensions and forcing the organizations to favor one logic against the other. Authors use the term *"mission drift"* to describe the phenomena by which some hybrid organizations, despite being socially driven, end up making decisions in favor of the commercial logic to facilitate organizational survival (Foster & Bradach, 2005).

Scholarly efforts have been made to unveil and understand the mechanisms used by hybrid organizations to integrate these competing logics (Pache & Santos, 2013b). Scholars (Battilana & Lee, 2014) group the mechanisms as,

1. *Dismissing*, the one that avoids, denies, or reject at least one of the logics, so no hybridization takes place in these approaches.
2. *Separating,* such as "decoupling," by creating two sets of behaviors: the external one, symbolically adopting the expected logic, and one implemented internally that is coherent with internal institutional influences (J. W. Meyer & Rowan, 1977), or "compromising" by finding a balance that entails minimum components of both logics (Oliver, 1991), such as in health care organizations that deal with conflicts between the *medical care* logic and the *economic efficiency* logic (W Richard Scott, 1983).
3. *Cumulative,* such as aggregation, when organizations try to retain multiple identifies and establish a connection among them (Pratt & Foreman, 2000).
4. *Creative,* such as selective coupling by implementing a combination of activities taken from each logic (Pache & Santos, 2013b).

Early works on hybrid social enterprises describe how these organizations have a "pre-existing" predominant logic; as they embrace a hybrid philosophy, they voluntarily have to take a decision to accept, reject, or combine the other one. The French Work Integration Social Enterprises (WISE) in Pache and Santos (2012) or the Bolivian Microfinance Institutions (MFI) in Battilana and Dorado (2010) are two such examples. There is a predominant logic "ex-ante" that

leads to the emergence of those tensions. They describe two different sets of beliefs related to goals, organizational forms, governance mechanisms, and professional legitimacy (Pache & Santos, 2013b). Authors claim that the prescriptive demands of each logic are incompatible (Raynard & Greenwood, 2014) and create governance crisis (for instance, MFIs in Bolivia and WISEs in France) that compromises survival of the organization. In these papers, scholars found that hybrid SEs opted for selective coupling of intact demands drawn from each logic rather than decoupling or compromising, creating almost a “chameleonic tactic” (Pache & Santos, 2013b). The research focus has been on existing mature organizations . 00.8 [3 Tbq0ol9TEEp64pop47 (0 (o01 8 [3 Tb (ar) B8)41

education nonprofits. The next sources of revenues are government contracts and grants (32%), followed by private donations (13.3%) and investments (5%) (McKeever, 2015). A decrease in traditional funding, coupled with a bigger demand for transparency and efficiency by donors and third sector watchdogs such as CharityNavigator.org or Guidestar.org, has forced NPOs to find alternative sources of funding to the traditional donations and grants. Among those alternative founding sources, some NPOs are turning their attention to earned income strategies (EIS).

But what is exactly an earned income strategy? Nonprofit scholars (and even practitioners) have not reached a consensus on a working definition for EIS. The late Professor Dees defined earned income as “revenue generated by the commercial exchange of product or service between buyer and seller” (Dees et al., 2004). These earned income strategies may or may not be related to the organizational mission, so some scholars distinguish between EIS based on the mission-relatedness variable. Specifically, Alter (2007) describes:

- Embedded or mission-centric EIS when those activities are fully aligned with the organization’s mission and they are embedded into programming. The EIS are created to advance the mission such as in the case of Work Integration Social Enterprise (WISE) or Microfinance Institutions (MFI).
- Integrated or mission-related EIS when the activities are related to the organization’s mission. The activities overlap with the organization’s provision of services, but not necessarily tie to its operations such as in the case of commercialization of social services or mission expansion.

- External or mission-unrelated EIS where the activities are not related to the organization's mission, although they intend to advance the mission by generating income to run their programs or cover overhead, such as brand licensing programs launched by well-known nonprofits.

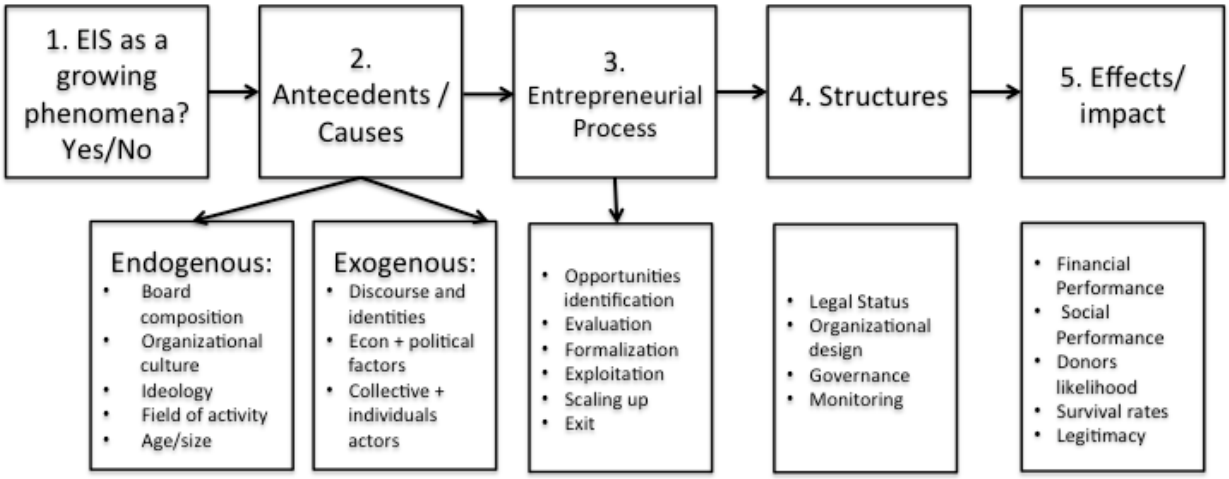
EIS can also be understood as opposed to other types of nonprofits' sources of income, such as grants or charitable donations. For the purpose of this dissertation, our working definition of earned income strategies (EIS) is

"The set of activities developed by established NPOs aiming to generate revenue by providing products or services to some extend in a self-sustaining manner, and that can be related or not to the NPO's primary mission."

The use of self-generated revenues is not entirely new. Girl Scout Cookies, Goodwill, or the Salvation Army are well-known examples; however, the phenomenon has gotten additional attention in the last decades, as probed by the number of books, articles and scholarly papers published on the topic (Weisbrod, 1998) (Oster et al., 2004).

We reviewed and organized nonprofits' earned income strategies extant literature using a framework inspired by Maier et al. 2014 (Maier, Meyer, & Steinbereithner, 2014). See Appendix B for a full list of references.

Figure 3. 3: NPO/EIS Subdomains Research Framework



Source: Authors' own draft inspired by Maier et al. 2014

While still subject to debate (Box 1- Figure 3.3), most related literature suggests an increasing trend towards the reliance on commercial activities (Child, 2010; Kerlin & Pollak, 2011); (Oster et al., 2004; Weisbrod, 1998). On the contrary, Child (2010) using three different methods to operationalize the earned income concept (Unrelated Business Income –UBI-, share of revenue growth, and program service revenues) concludes, "the commercial turn hypothesis taken as a general statement about nonprofits organizations, inaccurately characterizes the sector" (p.156).

Additionally, scholarly opinion is divided about the effectiveness of EIS and its impact on both financial and social performance (Figure 3.3, Box 5). Those in favor argue that social ventures increase income stability and reduce dependency on external funding sources (Brinckerhoff, 2000). They described EIS as a more flexible source of income that avoids some of the restrictions imposed by grant makers and donors (Froelich, 1999). Some authors found that EIS had a significant positive impact on the organization's ability to attract and

retain staff, the organization's reputation, and on organizational self-sufficiency (Guo, 2006). Dees highlights that earned income strategies make organizations more resilient due to markets' efficiency (Dees, 1998).

Contrarily, opponents believe that market-based income can lead to increasing NPOs "commercialization and marketization," "mission drift," and it can threaten NPOs' legitimacy, even suggesting the use of tax instruments to discourage all commercial activity, not just the unrelated business (UB) activity already taxed (Weisbrod, 2004). This author goes to the extreme of distinguishing between nonprofit *bonoficers*, those that allocate some resources toward the public good and *for-profit in disguise* (FPID) which "behave like profit maximizers, distributing their outputs no differently, taking no less advantage of their informational superiorities and distributing no fewer external cost than private firms" (Weisbrod, 1998, p.72). Other authors suggest that the diminished legitimacy can reduce advocacy effectiveness and discourage the critical participation of volunteers, increasing probability of failure (Eikenberry & Kluver, 2004). Foster and Bradach (2005) have also highlighted the lack of managerial capacity, business perspective, and credibility in commercial markets. They question the ability of the majority of NPOs to generate profit with EIS and warned against the consumption of organizational resources, suggesting that NPO's managers show a "pattern of unwarranted optimism" where "challenges of running a successful business are routinely discounted" (p. 2) and they ignore the risks that pursuing commercial opportunities cast over fulfilling the NPO's core mission.

A number of empirical papers have tried to understand the relationship between

earned income strategies and organizational performance and survival. Gras and Mendoza-Abarca found a U-shaped relationship between the probability of NPOs' exit and the proportion of market-based income over total income, so a low level of social venturing is beneficial, but high levels could compromise survival (Gras & Mendoza-Abarca, 2014). Smith et al. empirically confirmed that the introduction of social enterprises by a nonprofit organization negatively affects individual donations, but some of the negative effects can be mitigated when the SE is perceived as consistent with the organization's mission and competent (B. R. Smith et al., 2012).

Within this scholarly arena, a less-explored area is the actual process of realization of the social enterprise. Entrepreneurship has been defined as "the process of discovery, evaluating, and exploitation of opportunities" (Shane & Venkataraman, 2000) p.18), so some authors have responded to the call to better understand the process of emergence of social entrepreneurship (Perrini, Vurro, & Costanzo, 2010), (Corner & Ho, 2010) drawing from entrepreneurial literature (Gartner, 1985) (Foss & Klein, 2005) (Sarasvathy, 2001) and innovation literature (Kirkman, 2012). Specifically, Perrini et al. (2010) differentiates between opportunity identification, opportunity evaluation, opportunity formalization, opportunity exploitation, scaling up, and/or exit (Perrini et al., 2010). Using an inductive, theory-building multiple case study, Corner & Ho (2010) identified key patterns in the recognition of SE opportunities such as collective action, experience corridors, and the "spark" as the moment of inspiration.

SE scholars have described this process as a sequential and linear one treating

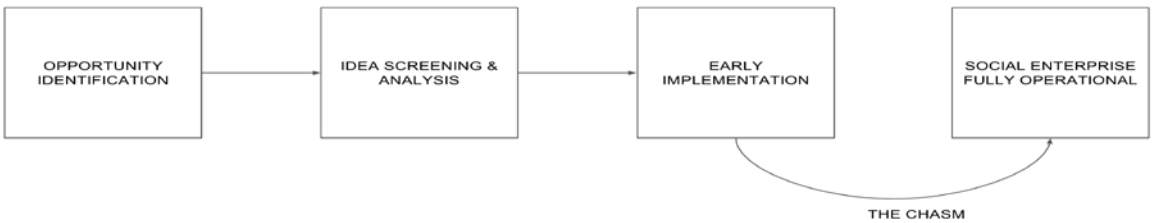
the unit of analysis, the nonprofit organization (NPO), as one homogenous type without accounting for potentially relevant differences in the characteristics of those nonprofits (Corner & Ho, 2010; Weerawardena & Mort, 2006). Based on a study of NPOs in northeast Scotland, Haugh describes a model of community-led social venture creation (Haugh, 2007) that includes six stages:

1. Opportunity identification;
2. Idea articulation;
3. Idea ownership;
4. Stakeholder mobilization;
5. Opportunity exploitation; and
6. Stakeholder reflection.

The five nonprofits in the sample were committed to exploring income generation from their early days. This sequential approach to EIS seems deterministic and path-dependent and fails to reflect the hard reality that *established* NPOs go through when entering this entrepreneurial process. Additionally, in some of the most cited papers in the field (Teasdale, Kerlin, Young, & In Soh, 2013), Kerlin & Pollack, 2011, (Kerlin & Pollak, 2011; LeRoux, 2005), the only differentiating factor that authors established among NPOs is their primary mission. The process analysis has ignored the role of conflicting institutional logics as well as the role of micro-actors. There is a profusion of cases of successful NPOs starting social enterprises, but not so many analyzing factors that lead to the social enterprise's failure or halt. This gap in the literature, together with anecdotal empirical evidence collected

by the authors on their teaching service-learning projects[2], explains the need for a more fine-grained analysis, one that allows us to understand the NPO's hybridization process through the prism of the Institutional Logic Perspective in order to understand the role of the conflicting logics and micro-actors. Specifically, our research aims to fill this gap by unveiling the hybridizing process that established nonprofit organizations go through when they embark on social entrepreneurial activities (see Figure 3.3, Box 3). In this context, our main working assertion is that when established traditional nonprofits engage in SE, conflicts in institutional logics emerge, leading to a hybridizing process that may result (or not) in a successful social enterprise. Some NPO's social enterprises are able to successfully hybridize, creating both financial and social value, while some others are not able to overcome the challenges in this process and fail; to understand how these organizations deal with the plurality of logics, the role of micro-actors and key drivers that allow NPOs to overcome that "chasm" (Figure 3.4) are relevant questions from both academics and practitioners. The "successful" NPOs are able to sustain the multiplicity of logics in a productive way and gain the much-needed legitimacy to fuel those earned income strategies (Pache & Santos, 2013b).

Figure 3. 4: NPOs' Entrepreneurial Process



[2] "Service-learning is a teaching and learning method that links course content to "real-life" experiences (i.e., service) that centers around a community need or issue. Reflection activities are used to allow students to understand what was learned and experienced, and how the community was benefited." (http://www.csuci.edu/servicelearning/).

CHAPTER FOUR: METHODOLOGY

Introduction

The purpose of this exploratory multi-case study was to analyze the role of conflicting institutional logics in the development of earned income strategies in established nonprofit organizations, understood as a distinctive low hybrid context. The researchers aim to explain why some of these nonprofits are able to bring their social enterprises to fruition and some others cannot.

This chapter describes the dissertation's research methodology. First, we explain the rationale for using qualitative methodology. We follow with a context description, detailed sample selection rationale, and description. The next sections portrait the data collection methods and data management used as well as the analysis followed. We close with a chapter summary.

Research Design

In this dissertation we follow a qualitative approach, specifically an exploratory in-depth multi-case study (Yin, 2014) in the setting of Californian nonprofit organizations with 501(c)(3) tax-exempt status that are engaged in some type of Earned Income Strategies (EIS). Since we are trying to describe and understand the hybrid organizing process as well as the mechanisms for integration of a priori conflicting logics in this specific organizational context, this setting is pertinent to our research questions.

The authors have a constructionist worldview by which meaning is constructed by the analysis of multiple perspectives and phenomena are highly intertwined

with context. Authors understand “research as engagement” (Morgan, 1998) conductive of an “iterative knowledge production” in which a researcher goes back and forth between data and theory.

We see qualitative research as a valid alternative to quantitative research, “supportive rather than competitive, motivated to achieve additional and valuable research outcomes” (Rosenbaum, More, & Steane, 2016). Qualitative approaches relate to description, interpretation, and explanation and quantitative research focuses on prevalence, generalizability, and calibration (Bluhm, Harman, Lee, & Mitchell, 2011). Trochim and Donnelly describe six features that “make a study qualitative” and those include:

> 1. Study is field focused 2. Study employs the self as an instrument 2. Study has an interpretive character 4. Study makes use of expressive language and the presence of voice in the text. 5. Study pays attention to particulars. 6. Study is believable because of its coherence, insight and instrumental utility (Trochim & Donnelly, 2008) p. 179.

Specifically in management, qualitative research has defining characteristics: it occurs in the natural setting of the organizations, it emerges from participants’ perceptions of their experience, it is iterative and reflective with design of data gathering and analysis evolving through the process, data collection and analysis methods aren’t standardized, they are non-objective as the researchers bring their bias and finally there is a reduction of data to produce meaning (Bluhm et al., 2011).

The exploratory nature of our method, with an emphasis on discovery and

description, is adequate for emerging research areas (Bryman & Bell, 2011) when the “phenomenon has been underexplored or when dominant theoretical discourse requires re-evaluation” and it “suits the goal of developing a model in an area where little data or theory exists” (Kumar & Ormiston, 2012). We do not claim that there is no theory in conflicting logics and hybrid organizations, but it is the application of the existing theory into a very specific organizational context that it is lacking, specifically the understanding of the earned income strategies within nonprofit organizations and the mechanisms to reconcile diverse logics and the hybridization process. The phenomena under study are highly intertwined with context, so we need to look at it from the inside in order to understand it. Additionally, the use of qualitative data, described as “open-ended”, “concrete and vivid”, and “rich and nuanced”, avoids the need to have previous defined theoretical constructs (Graebner, Martin, & Roundy, 2012).

A case study can be defined as “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real life contexts, especially when the boundaries between phenomenon and context are not clear evident” (Yin, 2014 p. 16).

Multiple case studies are more robust than single case studies, allowing observation and analysis in multiple settings (Eisenhardt, 1989), Yin, 2014). By using a multiple case study approach, we aim to be able to compare and identify patterns across the cases that will allow for theoretical generalization. By using more than one case, we not only deepen our understanding of the phenomena but we also are able to identify key similarities and differences

across cases that facilitate our understanding.

Researchers have previously used previously case studies to try to understand hybrid organizations in general and nonprofits' social enterprises in particular (Battilana & Dorado, 2010; Corner & Ho, 2010; Haugh, 2007; Pache & Santos, 2013b; Perrini et al., 2010; Weerawardena & Mort, 2006). Case studies have also been used to capture institutional logics' conflicts and coping mechanisms (Graebner, Martin, & Roundy, 2012; Reay & Jones, 2015). As explained by Reay & Jones, "logics [...] are well suited to qualitative data and methods that demand immersion in the phenomenon" (Reay & Jones, 2015, p. 2).

Conducting case studies research is not a linear but an iterative process and "somewhat a messy one" (Bloomberg & Volpe, 2016) p. 193). The next figure includes the steps followed to carry on our research from data collection to analysis.

We have discussed here a high-level synopsis of the overall research process, but the following sections, data collection, data analysis, and synthesis, will explain the efforts in more detail.

Figure 4. 1: Research Synopsis

We engaged in an initial exploratory data collection phase during spring 2016. In this phase, we participated in live observations, started to collect and read

archival data, and conducted initial interviews with experts. As an initial outcome, we drafted individual case-descriptive narratives that allowed us to familiarize ourselves with each of the organizations in the sample. Fall 2016 was the most intensive period of data collection, when we performed the majority of our in-depth interviews with different organizational stakeholders. Simultaneously, we started the coding of the data and initial pattern matching efforts (Reay & Jones, 2015) that allowed us to confirm the presence of both logics in the sample. During winter 2016 we finished our primary data collection efforts and continued the collection of secondary data. In tandem, we continued the analysis and arrived to our emerging hybridization model.

Research Context

As explained, researchers have established connections with the local community of nonprofit organizations, both in Ventura and Los Angeles counties (California, US) in the context of their teaching activities at California State University Channel Islands (CSUCI). The researchers have also volunteered in different capacities, including as a board member, in a number of these organizations and they participate regularly in nonprofit leadership events organized by local universities (Pepperdine University in Malibu and California Lutheran University in Thousand Oaks). These earlier connections allowed us to observe and gather informal empirical evidence of the presence of entrepreneurial activities in these local organizations that piqued our curiosity and strengthened our desire to understand the phenomena in a scholarly way. As described in the literature review, the construct of social entrepreneurship

transcends across different organizational structures from pure for-profit legal forms - sole proprietorship, partnership, LLC or corporations (C, S and the newest Benefit Corporation) to nonprofit structures with tax-exempt status under Internal Revenue Service code 501(c)(3), including a combination of both, for instance for-profits with nonprofit subsidiaries, nonprofits owning for-profit subsidiaries, and different types of partnerships among them (Kickul & Lyons, 2016). For the purpose of this dissertation, we concentrate exclusively in established nonprofit organizations that at the time of their founding were not involved or even considering Earned Income Activities or Social Enterprise as a source of funding. Therefore, the **unit of analysis** is the nonprofit organization defined as tax-exempt status organizations under the US Internal Revenue Service's (IRS) code 501(c)(3).

Sampling Logic

In qualitative research, the sample selection is purposeful (Patton, 1990), driven by the need to identify information-rich cases that bring insights and enhance our understanding of the phenomena under study and allows addressing of the research questions.

Early on, during the winter of 2015, we identified an initial long-list of seven nonprofit organizations with tax-exempt 501(c)(3) status, either planning or with ongoing earned income strategies, located in Ventura County and Los Angeles County (California, USA) - see Appendix C - following the maximum variation principle (Patton, 2005) vs. homogenous or extreme case sample. The researchers had access to archival data and to the leaders and decision-

makers of these organizations and regular contact with these organizations since 2013. The researchers initially looked for diversity in organizational size—measured by annual revenues and number of employees, social issue addressed, maturity level of their social enterprise, etc.—but as the dissertation proposal developed, it became obvious that instead of using organizational-level variables to create a diverse sample, it was more important to select the cases based on the maturity level of their social enterprise efforts. The focus on this theoretical dimension to drive our sampling allowed us to look for variance maximization and select the cases that were more relevant to the initial research question.

For that main reason, we reduced the initial sample list from seven to three nonprofits. These three organizations represent a unique research locus of shallow hybridity with a predominant social logic. The three have in common that they are established tax-exempt organizations located in Ventura and Los Angeles County (California), and they each have implemented (or tried to implement) a social enterprise at an ulterior time from their foundational time.

The following table summarizes key data for each nonprofit included in the final sample.

Table 4. 1: Key Organizational Variables

	MISSION	HQ/ Founding year	Annual Budget / EIS Revenue 2015 [3]	Year of first EIS / Degree of implementation
Community Root Gardens (CRG) -	*Grow...a community of gardens and support garden leaders in neighborhoods throughout Ventura County.* *Share...healthy local produce with all of our neighbors.* *Empower...one another - through learning, teaching and cooperating - to nourish ourselves justly, sustainably and self-sufficiently.* *ReStore...wellness - to the land, the human spirit, and the community - through our core commitments to hunger relief, sustainability and caring.*	Oxnard (CA) 2008	$80,000 (estimated) 0%	2014 Farmer for a Day - first piloted in 2014
Habitat for Humanity - Ventura County (HfHVC)	*Seeking to put God's love into action, Habitat for Humanity brings people together to build homes, communities and hope.*	Oxnard (CA) 1986	$2.6M (2015)	1999 ReStores - 2 locations
Homeboy Industries (HBI)	*Homeboy Industries provides hope, training, and support to formerly gang-involved and recently incarcerated men and women, allowing them to redirect their lives and become contributing members of our community.*	Los Angeles (CA) 1988	$16M (2015) 40%	1992 9 social enterprises

Source: Authors' own draft based on public information and personal interviews

However, the social enterprises run by these three organizations are at different maturity points. A priori, the first organization, Community Roots Garden (CRG), was described as *"immature – non hybrid"* and we thought of the second and third organizations, Habitat for Humanity Ventura County and Homeboy Industries, as *"mature – hybrid"* organizations. As it is described in Chapter 6 Findings, our analysis revealed significant difference in the maturity level of

[3] Source http://foundationcenter.org/findfunders/990finder/

these organizations. This theoretical approach to sampling facilitated the extraction of meaningful findings. The other four organizations initially considered did not add to our analysis. It is important to highlight that we are aware that we are taking a static picture of organizations at different stages. This decision in our sampling was purposely taken based on our experience in the Third Sector after having been involved in teaching, researching, and conversing with practitioners for more than a lustrum; additionally, previous research made us aware that the process of hybridization generally takes a long time (as proven by all organizations in our sample) and the outcomes are not guaranteed, which would have brought high uncertainty to our research timeline. For these reasons, we decided against longitudinal research and decided on a multi-case study choosing companies that are at different stages in this transition process toward low hybridity. However, the existence of publicly available secondary data on these organizations, and the possibility to triangulate data from different sources, allowed us to partly complement our static view with historical data on how the process of hybridization went about. Additionally, these three organizations portrait different business models in the Third Sector; they have different sizes, missions, and beneficiaries, and the social enterprise(s) that they have implemented (or tried to implement) represent different degrees of relatedness with the primary organizational mission. The next table summarizes those.

Table 4. 2: Comparison Across Cases

		Community Root Gardens (CRG)	Habitat for Humanity - Ventura County (HfHVC)	Homeboy Industries (HBI)
SIMILARITIES	• 501(c)(3) tax-exempt organizations • Christian faith-based • Key role of volunteers • The idea of creating a social enterprise didn't exist at the organization's founding time • No previous blue-print or example of hybrid in the their domain of activities			
DIFFERENCES	Beneficiaries	Local community	Low income families	Ex-gang members
	Social Enterprise	Farmer for a Day: educational workshop for local businesses	ReStore: second-hand furniture and construction materials stores	Homegirl Cafe HBI Bakery HBI Catering Silkscreen Merchandising HBI Recycling
	Stage[4]	Egg: Stalled hybridization	Chrysalis In-transition Hybrid	Butterfly Mature Hybrid
	SE relatedness to organizational mission	SE related to mission	SE loosely related to organization's mission	SEs related to organizational mission
	Sources of Funding	All donations/grants	Most donation/grants Some EIS	60% donations and grants/ 40% EIS
	Business Model	Non-WISE (Work Integration Social Enterprise)	Non-WISE	WISE (Work Integration Social Enterprise)

Source: Authors' own draft based on public information and personal interviews

It is important to highlight that the main unifying variable for all these nonprofit organizations besides a common tax-exempt status and their Christian faith-origin is that the idea of creating a social enterprise did not exist at the founding time. This factor differentiates the selected nonprofits in this sample from nonprofits that decide to incorporate an earned income strategy at the founding moment, such as Shelter Hope Pet Shop or Embrace ("Special Issue on Hybrid

[4] This typology is part of our Findings

Organizations," 2015). This difference is important because in the latter, there is a common understanding from day one that market-based solutions (i.e. earned income strategies) are going to be implemented, so although the logics conflict could still arise in this type of organization, we theorize that it could manifest and be resolved differently; therefore, these types of “born-hybrids” require a separate research effort.

Chapter 5 includes a full descriptive narrative of each individual organization in our sample.

Although this would be explained in detail in our Findings chapter, it is important to notice that during the first stage of data collection, it became evident that our second organization, Habitat for Humanity Ventura County, was a “particularly revelatory case” (Eisenhardt & Graebner, 2007) because of the longevity of its social enterprise (17 years) and the evolution that it has experienced during that period. Unexpectedly, we unveiled an organization immersed in the process of hybridization repositioning their social enterprise called ReStore from the traditional well understood *“thrift store”* to a more sophisticated *“home improvement discount store”*. Additionally, the relatively small degree of mission-relatedness of their social enterprise makes this case especially attractive in comparison to extant literature that describes mission-related social enterprises such as Work Integration Social Enterprises (Pache & Santos, 2013b). ReStore’s activities are not necessary “a-priori” connected with the mission and were not initially leveraging existing organizational programs and capabilities. This represents an interesting research locus that challenges the

existing consensus on the field as expressed by some of experts we interviewed: “I think organizations have a better probability of success if they sort of look at earned income strategies that are aligned with their mission, that are leveraging, you know, their existing programs and capabilities” (D. Helfrey, personal communication, November 4, 2016)

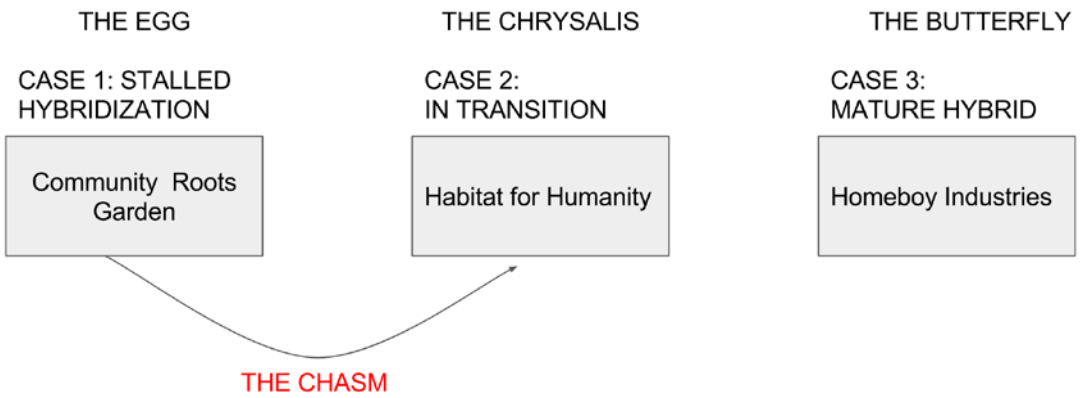
Our third case, Homeboy Industries, unfolded as full mature hybrid organization in a nonprofit context. As explained in Chapter 5, HBI has been running social enterprises for almost 30 years. In FY 2015, more than 40% of their $16M annual revenues came from social enterprises. Additionally, this organization has attracted significant attention from researchers (Choi & Kiesner, 2007; Ferguson, 2007; Leap, Franke, Christie, & Bonis, 2011), press, and filmmakers (“Father G. and the Homeboy”, 2007; “G-Dog: Nothing Stops a Bullet like a Job”, 2012), providing numerous data points in addition to the primary data collected by the researchers.

The following figure maps each of the nonprofits in our sample to the stage that their social enterprises are currently in. It also includes “the chasm” to represent the conceptual space that separate our first organization, Community Roots Garden from the other two organizations. CRG is a community garden run as a Ministry of a Methodist Church in Oxnard. With a small budget and only one part-time employee, in 2013 they tried to launch Farmer for a Day (FFD), a half a day paid workshop for local business. CRG’s social enterprise idea hasn’t been discarded formally, but it hasn't been moved forward. It has fallen into a “chasm.”

During the analysis, we created three typologies and labeled them as follows:

- The “Egg” to name the less mature stage “the stalled hybridization” represented by Community Roots Garden;
- The “Chrysalis” for the case “in transition” represented by Habitat for Humanity
- The “Butterfly” for a mature hybrid represented for Homeboy Industries in our sample. Figure 5.1 helps us to visualize these typologies:

Figure 4. 2: Sampling Logic



Source: Authors’ own draft

Information Needed

Following best practices in qualitative research recommended by Bloomberg & Volpe (2016), we first reflected in the types of information that we were going to need for our study. We established the need for the following:

- Contextual information. This is background information on each of the organization’s history, evolution, mission, programs, social impact, financials, sources of funding, etc. As explained in the following section, we use archival data, primarily documents both internal and external.

- Demographic information. The profile of the organizations and the informants (educational and professional background, initial connection with the organization in the sample, etc.) was obtained through public data (IRS 990 form) and via interviews.
- Perceptual information. This was the most important type of information. Since the initial question posed by the researchers came out her contact with the field, it was important to gain the perception on the phenomena from the practitioners.

Data Collection

Following best practices in qualitative research (Yin, 2014; Miles, Huberman & Saldaña, 2014; Bloomberg & Volpe, 2016), we used multiple methods for primary and secondary data collection and triangulation, but instead of following a traditional linear qualitative method process in which all the data was collected before conducting any analysis, we engaged in an iterative non-linear approach where early initial data was collected first for one organization (CRG). Those initial data collection efforts allowed us to fine tune and refine our posterior data collection and analysis.

As we planned the instruments or sources of evidence (Yin, 2014) to be used, we were guided by the idea of methodological congruence to be sure that our data collection methods were guided by the overall research design (Bloomberg & Volpe, 2016). As described by Yin, multiple sources of evidence allow for data triangulation that corroborates the same findings if convergence of evidence is present (Yin, 2014).

Secondary data collection: We used archival data, both external and internal, specifically IRS 990 forms, annual reports, organization newsletters (offline and online), marketing collaterals, websites and social media content, annual fundraising campaign letters and press releases, and newspapers and magazine articles.

The source of these data was either the organization itself or third parties. We also reviewed existing case studies about the organizations in our sample, such in the case of Habitat for Humanity (Segel, Retsinas, & Hioe, 2006) or Homeboy Industries (Choi & Kiesner, 2007). When possible, this archival data was digitized and add to the NVivo database.

Table 4. 3: Details of Documentation Data

Source of Data	Internal	External
Community Roots Garden	Website & social media post Press Releases	Press Articles Yelp Reviews Guidestar.org Report
Habitat for Humanity Ventura County	Website & social media post Internal Documents Press Releases IRS 990 Form	Press Articles Yelp Reviews Guidestar.org Report
Homeboy Industries	Website & social media post Press Releases IRS 990 Form	Press Articles Yelp Reviews Guidestar.org Report

Primary data collection:

Primary data was gathered through:

1. Semi-structured one-on-one in-depth interviews with key informants.

2. Non-participant direct observations.

1. Semi-structured In-depth Interviews

These interviews were the primary data collection method. When it comes to the interview, we embraced the “traveller metaphor” vs. the “miner metaphor” used by Kvale and Brinkmann (2009). In the “traveller metaphor”, the interviewer is an acting player:

> The interview-traveller, in line with the original Latin meaning of conversation as “wandering together with”, walks along with the local inhabitants, asking questions and encouraging them to tell their own stories of their lived world...The journey may not only lead to new knowledge; the traveller may change as well. They journey might instigate a process of reflection that leads the traveler to new ways of self-understanding ((Kvale & Brinkmann, 2009) p. 48).

We also followed some of the best practices in the field (Ritchie, Lewis, Nicholls, & Ormston, 2013), developing semi-structured interviews that were

- “Interactive and generative
- Combining structure with flexibility
- Aiming to get below the surface
- Taking into consideration the importance of language because “it holds and elucidates meaning” (Ritchie et al., 2014 p. 184).

Following Santos and Eisenhardt (2009) the selection of the internal informants was based in their long tenure within the organization; their understanding and direct involvement with the earned income activities or social enterprise, and

their functional and hierarchical variety to obtain different perspectives. Collecting data from multiple participants decreases dependency on one single interviewee (Kumar & Ormiston, 2012). Specifically, we engaged with the organization's CEO or Executive Directors (when applicable), project managers and selected NPOs' board members and donors.

The dynamics of each interview followed the following stages (Ritchie et al. 2014):

- Stage 1: arrival and introductions. This first stage allowed the interviewed to establish the rapport and create a relaxed atmosphere conducive of a meaningful conversation. We took an "empathically neutral approach", meaning our goal was to achieve empathy without becoming over-involved (Rubin & Rubin, 1995).
- Stage 2: introducing the research. Although respondents were provided a two-page summary of the research project, copy of IRB approval and informed consent form at least a week in advance, we explained the research objectives and collected the signed informed consent for our records, explaining "arrangements for confidentiality and disclosure" (Ritchie et al., 2014,p.187).
- Stage 3: beginning the interview. The opening questions provided the researcher with key information on the educational and professional background of the informant. These initial questions also allowed for some "warm-up" and provided an indication of how the interviewee was going to be engaged in the rest of the interview.

- Stage 4: during the interview. In this substantive phase we adhered to Ritchie et al. (2014) recommendations (never assume, refrain from commenting an answer, refraining from summarizing or finishing interviews answers, etc.). In same cases, we were able to cover all the questions planned, but in other cases the respondent expanded his/her answers taking the conversation beyond the original scope. In some cases we purposely brought the interview back “to the script”, while in other cases we let the conversation flow. As interviewees we engaged in “active listening”, being alert to the verbal responses but also to non-verbal communication clues. We used additional probing questions to amplify or expand, to explain, to clarify, to explore impact, effects, to surface values, view, or experience, and to challenge inconsistencies (Ritchie et al. 2014).
- Stage 5: ending the interview. We kept an eye on the clock during the interviewing process and about 5-10 minutes before the end we gave an opportunity to the respondent to express any final thoughts or comments related to the topic. In some cases we also asked for additional names for future interviews propitiating a snowballing technique for respondents’ selection.
- Stage 6: after the interview. We thanked the participant, stopped the recorder and shared again the timeline for our research completion. On some occasions, there were some relevant reflections called “doorstep data” that were captured in a field note.

Interviews were conducted primarily (10 out of 15) face to face, when possible

in the organization’s premises. Five interviews were conducted remotely using Zoom, a videoconference tool ("ZOOM," 2016). Most of those conducted face to face were conducted at the interviewee's’ office, providing another opportunity for observation of her/his working space. Two interviews were conducted in public spaces (one in a restaurant in Oxnard and the other one in a coffee shop in California Lutheran University campus in Thousand Oaks).

All interviews were collected directly exclusively by the researcher and either audio-recorded using a Sony recorder (ICD-PX440) for the face to face interviews or video-recorded for the ones remotely conducted via Zoom. Mp3 audio and mp4 video files generated were stored in the researcher's computer.

The interview length ranged from 30 to 120 minutes with an average duration of 60 minutes. The total recording time was 767 minutes.

Guiding Questionnaire

Initially we designed two sets of open-ended questionnaires: one for the informants related to each of the cases and another one for the field experts. The one used with the organizations’ stakeholders was two pages long and initially had three parts.

- First section related to the specific informant’s background (educational and professional) and connection with the nonprofit.
- Second related to the earned income strategy within that organization, challenges, tensions, and impact.
- Final section included field-related questions such as *“Name other social*

enterprises you are familiar with", etc.

A pilot interview was conducted first early on (Summer 2016) with Community Roots Garden's project manager in order to fine-tune the interview protocol (see Appendix D for the interview protocol used). After the second interview it became obvious that the protocol required a deeper level of personalization based on the role that the interviewee played within the organization (for instance, Executive Director vs. board member vs. donor). Therefore, the protocol was reviewed and customized and guiding questionnaires were used for subsequent interviews, evolving with the research effort (Corbin & Strauss, 2007).

Additionally, early in the data collection phase we interviewed a small group of experts in the field of nonprofits and social enterprises. These group of experts was identified through personal connections and using a snowballing technique. A different interview protocol was designed to conduct the semi-structured interviews with these experts. (See Appendix E for expert interview protocol used.)

All interviews were transcribed verbatim and analyzed manually with the qualitative data analysis software NVivo (Mac v.11.3, 2016). A total of 767 minutes resulted in 422 pages of text (single spaced, 12 point font). The fillers that ranked high such as "yeah", "know", and "think" were added to the "add stop list" and they were eliminated for subsequent queries and analysis.

The following table summarizes the interviews conducted.

Table 4. 4: Details of Interviews

	Internal Informants	External Informants
Community Roots Garden	Angela Schultz - Project Manager Vern Novstrup - Board Chair & Founding Member	Fern Perusse- Filzen - FPF Coaching Martin Loeffer - Pilot Client
Habitat for Humanity	Steve Dwyer - Executive Director Nancy Stehle - Board Member & ReStore co-founder Lisa Robinson - ReStore Director Stacy Swanson - Former Executive Director	Furniture Donor - Anonymous Customer - Anonymous - no recorded
Homeboy Industries	Tom Vozzo - Executive Director	Visiting NPO's ED - no recorded -Anonymous Donor - no recorded - Anonymous
Experts	Pilar Pacheco - Executive Director - Center for Community Engagement (CSUCI) Diana Helfrey – former Executive Director - Social Venture Partners (SVP) Los Angeles & Board Member SVP International	
Total Interviews	15	

2. Non-participant Direct Observations

Observations are another critical method for data collection in qualitative research. Observations, as a field immersion, allow the researcher to be physically and intellectually immersed on the "natural" context of the organization under study. As it has been previously explained, "the data gathered [using this method] are a product of the intersubjective process between themselves as researchers and what they are observing" (Ritchie et al., 2014,p. 245). We are aware that the interpretation of what we observed is subject to some degree of subjectivity as we interpreted and constructed meaning out of those observations, but it is there, in that contact between data and researcher, "where the richness of the observation lies" (Ritchie et al.,

2014,p. 246). We were also careful to avoid “unintentional bias” in which the focus on the observation prevents us to see other things that emerge in the process.

The main advantages of observations in a multi-method for data collection design, such as this one, are:

- Observations provide different types of data, such as the field notes and pictures.
- It is naturally occurring data as things go on as usual when you the researcher is there.
- The data collected is in-depth data, not superficial, facilitating a good understanding of how things work in the organizational setting.
- It is contextualized data that brings clarity to the context under analysis.
- Observations facilitate other methods: our initial descriptive observations allowed us to better prepare the interviews and it also facilitated the interpretation of results.

In summary, these observations allowed us to gather a better understanding of the organizational reality of the three nonprofits in the sample.

Within the continuum of observations typologies described by Ritchie et al. (2014), defined as a complete participant, participant as an observer, and complete observer, we engaged in a “complete observer” or direct non-participant approach, where we were observing as unobtrusively as possible without making it explicit that we were conducting the observation.

Observations took place in the organizations’ premises, retail spaces and off-

campus locations such as fundraising events across the county. During these observations we took field notes that were processed and transformed into “write-ups”, defined as a text that can be understood for anyone, not just the field worker (Miles, Huberman, & Saldaña, 2014).These were uploaded into NVivo to be included in the coding effort. Our field notes (see Appendix F) were structured along three areas. The first one included a detailed description of what it was observed; then we included “analytic notes”, or researcher’s comments, about the settings; we closed the field note with a reflection about how the researcher felt during the observation. When taking notes was not possible, we took mental notes that were later on written down and add to NVivo.

As we spent more time in the field our observations evolved from initial **descriptive observations**, where we have had little exposure to the organizational data or inputs from internal stakeholders. Later on, we moved to a more **focused observation**. As De Waal explained, “the trained eye can see more” (De Waal, 2007), so as we were getting acquaintance with stakeholders through the in-depth interviews, we started to narrow the focus of our observations to end with some **selective observations** in which we went back into the field to find further evidence for some of the themes that were emerging.

Through this process of “narrowing” observations it became clear that the whole (of the action) is more than the sum of its parts. To illustrate this point, we share an example of observations conducted in Homeboy Industries (HBI) five times, specifically the morning staff meeting. This event takes place every day at 8:45

am at HBI headquarters in downtown Los Angeles. All staff and guests are called to the main lobby; then, the leader in charge, in many cases Father Boyle, follows a very structured agenda. The first time this researcher witnessed this morning meeting, the flow of the participants and contributions were just described in the field notes. We couldn't make much sense of what we were witnessing: names, laughs, tears, claps, different voices, and a final prayer. In the third field observation we started to focus our observational effort. It became clear that each manager was given an opportunity to share his or her activities for the day. There was some public recognition of specific achievements by some trainees. As we gained a better understanding of Homeboy's mission and the key therapeutic component of their 18-month program, we were able to perform in our final observation a more selective recount of the activities taken place in front of our eyes: those *homies* were able to speak up in front of more than 100 people (some of them from rival gangs) with dignity and pride.

Table 4. 5: Details of Observation Data

	Observations/ Date
Community Roots Garden	● Monthly Board meeting - 11/18/14 ● Farmer for a Day - Pilot - 10/14/14 ● Volunteer Work Day – 06/11/16
Habitat for Humanity	● Executive Director, Steve Dwyer – In-class presentation to CSUCI students - 09/15/16 ● Lisa Robison, ReStore Director – In-class presentation to CSUCI students - 02/22/17 ● ReStore Oxnard Grand Opening - 02/27/16 ● 2 ReStores Oxnard visits - (anonymously) - April & September 2016 ● 2 ReStores Simi Valley visits - (anonymously) - November 2016 & February 2017 ● Fundraising " Build a Playhouse" at realtor.com HQ in Westlake Village - 09/22/16
Homeboy Industries	● 5 tour visits (1 hour long) led by *"homies".* These tours were all proceeded by a 15 minutes "staff morning meeting" ● 2 Homegirl Cafe observations - November 2016 & January 2017

	• 1 Homeboy Cafe LAX observation – November 2016
Total Observations	19 observations

Data Management

As suggested by Huberman, Miles and Saldaña, “Preliminary organization is key.” (2014, p.51) so Google Drive was used to organize all materials and data corpus. Subfolders were created to storage Raw Data (interviews, transcripts, field notes, pictures and internal and external archival data) and working documents such as Individual Cases Draft; Dissertation Draft, On-going Analysis, Reflective Journal and Pending Questions. Our advisor had access and editing rights to facilitate constant communication and ongoing feedback. The researchers used a detailed research log, also called research diary (Newbury, 2001) or reflective journal (Ortlipp, 2008), as a way to track weekly activities and capture impressions and reflections as the research unfolded, data was collected, and analysis progressed. This journal could also serve as a key audit trail material used at the end of the study to conduct an inquiry audit as a form of assessment.

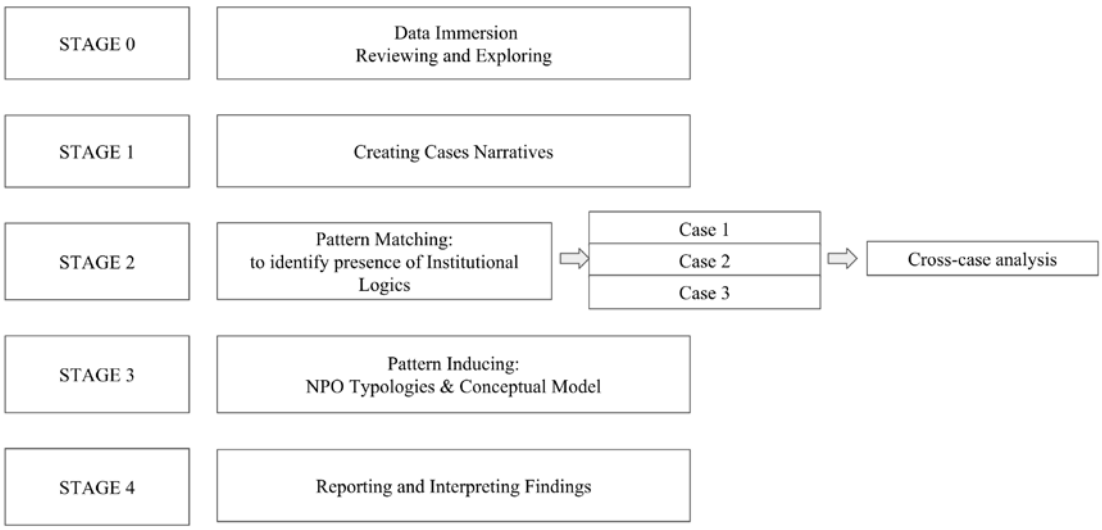
A second layer of storage was established in NVivo (Mac v.11.3), a Computer Assisted Qualitative Data Analysis (CAQDAS) tool that allows storage of interview transcripts, field notes, archival materials, Internet captures and pictures. NVivo facilitated the coding and subsequent storage of those codings and even memos.

Data Analysis

In this section we explain the details the different steps taken by the

researchers to conduct the analysis. The next graphic captures the road map followed in our analytical process.

Figure 4. 3: Roadmap for Data Analysis



Stage 0: Data immersion: Familiarization with the data

As suggested in Ritchie et al., it is important for the researchers as the initial effort in the analytical process to "gain an overview of the data coverage and become thoroughly familiar with their materials" (Ritchie et al., 2014, p. 297).

The transcriptions (and review of the transcriptions) of the interviews from verbal data into written form were our first "familiarization" effort. This process was time consuming and frustrating at some points, but it created a powerful intimacy and closeness to the data. After the original transcription, there was a second review to confirm its accuracy. Once the transcript was reviewed, the file was imported from to NVivo as a Word file. On average, it took approximately 8-9 hours to transcribe 1 hour of voice recording into written form. Fillers such as "uhm" were excluded in the transcription. Other fillers such

as “you know”, “okay”, “yeah”, and “right?” were added to the “Add word to stop list” in NVivo. These words then were excluded from the analysis and word search.

We then immersed ourselves again in data by listening to each interview repeatedly and engaging in repeated reading in an active way as Braun and Clarke (2006) suggested. During this phase we started to take notes and write impromptu reflections. These notes were also added to NVivo as Memos.

In parallel, the authors started the review of archival data. Beside the interviews, and as described in above, we also imported different documents and captured web-based information by using the NCapture for Google Chrome web browser extension available in NVivo.

Stage 1: Written of descriptive cases

Following prescriptions for inductive qualitative data analysis by (Braun & Clarke, 2006) we first used all sources of data described above (primary and secondary) to generate a narrative of each case that summarized the context, history and current status of each nonprofit as well as the specific social enterprise(s). These narratives are collected in Chapter 5. This initial descriptive effort allowed us to start moving from description to interpretation.

Stage 2: Pattern Matching

Within the continuum established by Miller and Crabtree of analytical approaches to qualitative research, we followed a “template approach” to confirm the existence of each of the logics in our cases in the sample (Miller & Crabtree, 1992). This template approach is consistent with the “pattern

matching" as a comparison to an "ideal type" highlighted by Reay & Jones (2015) in their essay *"Qualitatively Capturing Institutional Logics"*.

We described the ideal types for social and business logics as they had previously been captured in the literature but also adding some new key dimensions to those logics "archetypes". Then, we engaged with the data, coding our interviews and looking for evidence in the statements made by our respondents that confirmed or denied the presence of those logics in each of the cases in our sample. We performed this by matching individually for each case and then conducting a cross-case comparison.

Writing is an integral part of the analysis, not something that happens at the end such as with statistical analysis, so as we were going through this pattern matching we continued to write additional reflections and memos that guided our ulterior analysis.

Stage 3: Pattern Inducing: Interpretivist Analysis

Generating initial broad open codes: Once we confirmed the existence of both logics, we engaged in open code effort without predetermined categories, otherwise we would have run into the risk of "analyzing data by coding text units according to what you expect to find" (Bloomberg and Volpe, 2016, p.201). Instead, we engaged in a "willing suspension of belief" or witting ignorance of previous theorizing in the domain of hybrid organizations (Gioia et al., 2012). This approach is consistent with "pattern inducing" described in Reay & Jones (2015), where the researchers engages in an interpretivist effort, inductive or "bottom-up" way vs. a theoretical or deductive or "top-down" way.

Coding is described as “a form of early and continuing analysis” (Miles, Huberman & Saldaña, 2014, p. 93), so as we generated the initial codes, we were reshaping our perspective and adapting the instrument for our subsequent interviews.

Searching for more specific themes: After those initial broad codes were generated, we looked for more specific abstract key themes using researcher-centric concepts and the broad research questions, Braun and Clarke (2016) identify the “keyness" of a theme not as necessarily dependent on quantifiable measures “but in terms of whether it captures something important in relation to the overall research question” (p.12).

Our analysis was not a linear process but a more recursive iterative process where we moved back and forth between data, theory, and back to writing defining and naming themes and aggregate dimensions.

Stage 4: Reporting & Interpreting Findings

In our final analytical stage we generate an emerging conceptual model that captured the process of hybridization in our research locus, this being a low hybridity context; as well as the core mechanisms that enable (or stall) the process and the dynamics that interacted.

Issues of Trustworthiness

The standards for evaluating quantitative studies are well established along a set of key dimensions: generalizability, validity, reliability and replicability (Trochim and Donnelly, 2008). However, in qualitative research, the standards

for evaluating are still being discussed, and different typologies and terms are used by different scholars. Denzin and Lincoln called for a “serious rethinking of such terms as validity, generalization and reliability, terms already retheorized in postpositivist, constructivist-naturalistic, feminist, interpretive, poststructural and critical discourses (Denzin & Lincoln, 2009). This problem asks ‘how are qualitative studies to be evaluated in the contemporary, poststructural moment?’” (p. 19-20).

In this research we follow Yin (2014), Miles et al. (2014), and Lincoln and Guba (2002) to establish a set of criteria for “trustworthiness”, a term that has replaced “validity” within qualitative research (Onwuegbuzie & Johnson, 2006). These alternative sets of criteria call for a rigorous test and provide guidance to qualitative researchers to be able to meet those criteria while conducting research. The following table summarized their criteria as well as the evidence found in our research process to guarantee “trustworthiness”.

Table 4. 6: Trustworthiness Criteria - Evidence

Traditional Criteria	Trustworthiness Criteria	Evidence in Dissertation:
Internal Validity	**Credibility/ Authenticity**	● Research framework explicitly derived from literature ● Extended engagement in the field ● Pattern matching: matching patterns identified to those reported by other authors ● Theory triangulation: different theoretical lenses and bodies of literature used, either as research framework or as a means to interpret findings ● Data triangulation: interviews, archival data, and observations ● Clear chain of evidence ● Indication of data collection circumstances: explanation of how access to data has been achieved ● Explanation and clarification of data analysis
External Validity	**Transferability**	● Multiple case analysis ● Cross case analysis

		● Solid rationale for cases selection: why these 3 cases were selected given the research question ● Vivid details on case narratives and cases context ("thick" description)
Reliability	**Dependability/ Auditability**	● Congruence between research questions and method ● Purposive and theoretical sampling ● Case study protocol - how the case studies were conducted ● Case study database - how data was organized and managed (Google Drive) ● Organizations' real name is mentioned explicitly as opposed to anonymous or disguised ● Absence of random errors ● Transparency and replication
Objectivity	**Confirmability**	● Meticulous data management: ○ Verbatim transcription of interviews ○ Field notes and write-ups ○ Reflective journaling ○ Records of interactions and interviews

Source: Authors' own draft based on Yin (1994), (Lincoln & Guba, 2002), (Corley, 2002) (Gibbert, Ruigrok, & Wicki, 2008) and Miles et al. (2014).

Ethical Considerations

As Bryman (2012) captured, there seem to be broad consensus among qualitative researchers when it come to the ethical considerations to follow from the early research stages to the findings and conclusions write-up. In particular, Ritchie et al. (2014) listed in p. 78) that:

- "Research should be worthwhile and should not make unreasonable demands on participants
- Participation in research should be based on informed consent
- Participation should be voluntary and free from coercion and pressure
- Adverse consequences of participation should be avoided and risk of harm known
- Confidentiality and anonymity should be respected."

According to the Basic Health and Human Services (HHS) Policy for Protection of Human Research Subjects and policies and procedures of the CSUCI's Institutional Review Board (IRB), this study research falls under the Expedited, Category 7 classification. We obtained approval from the IRB on May 25th 2016. The letter of approval (Study #IO5349) was signed by Jason Miller, Ph.D., CSUCI's Senior Research Officer. This approval was valid for one year and it expires on May 24, 2017. This approval period could be amended for continuation.

Author obtained her Principal Investigator (PI) Training and Certificate from the National Institutes of Health (NIH) – Office of Extramural Research in October 2014. PI certificate was renewed in March 2017 with the Collaborative Institutional Training Initiative (CITI Program) as advised by CSUCI's IRB.

Although the researchers interacted with clients that received services from the nonprofits in the sample, we purposely decided to exclude those from our data collection and analysis.

Scrupulous consideration of the ethical guidelines outlined by the American Psychology Association was in place during the whole study.

Summary

The researchers in the study have been exposed to hybrid phenomena through their activities as professors in CSUCI. This contact piqued the researchers' curiosity and the literature review showed that the phenomenon was under-researched. A qualitative exploratory multiple case study methodology (low hybridity context) was selected to better understand conflicting logics and unveil

the process in which nonprofit organizations start and run earned income strategies. Our sample was made up of three different nonprofit organizations located in Southern California. We used a purposively selective sampling rationale. All three cases have started social enterprises effort, which were at different degrees of maturity. We used three different data collection methods: in-depth interviews, observations, and archival data collection. We then followed an iterative analysis process that brought us back and forth between data and literature. The analysis included a descriptive case narrative, pattern matching, and pattern induction. We elaborated a typology of nonprofits' engagement in social enterprises, a conceptual model for hybridization in low hybridity context, and a set of findings.

CHAPTER FIVE: INDIVIDUAL CASE NARRATIVES

Introduction

This chapter presents an individual descriptive narrative for each of the three nonprofit organizations in our sample. These narratives represent the first step into the analysis of the cases. A case description is considered by Yin (2014) as an analytical strategy itself: “the original objective of the case study may have not been a descriptive one, but a descriptive approach may later help to identify the appropriate explanation to be analyzed” (Yin, 2014, p. 140).

As explained in the Methods chapter (Chapter 4), all three organizations in the sample share some common characteristics:

- Legal structure and 501(c)(3) tax-exempt status.
- Running or trying to run earned income strategies or social enterprises.
- Based in Southern California (Ventura and Los Angeles County), USA.
- Christian faith-inspired organizations - not purposely planned when selecting the cases.

However, the primary rationale for case selection was the different levels of maturity of their social enterprise endeavors. The order of the cases has been established based on this variable (SE maturity); we present first Community Roots Garden as an exemplar of an organization with an earned income strategy in “stand-by”; then, we present Habitat for Humanity Ventura County as an exemplar of an organization that is currently experiencing a transformative process toward hybridization; and we end this Chapter with the narrative and

description of Homeboy Industries, a nonprofit that has achieved a certain degree of maturity and permanency in their social enterprises.

Although the data sources for this section have been predominantly observations and secondary archival data both internal and external to the organization, we have also included information and quotes captured during the interviews with different organizational stakeholders.

We follow a parallel structure for each of these narratives. First, we start with an introduction to contextualize the organization; then, we follow with the organization's background, mission and impact, leadership, governance/board, staff, volunteers, programs, and financials/funding sources. We close each case with a detailed description of their social enterprises initiatives and, if applicable, plans for scaling and growth. Table 5.1 summarizes key demographic information for each of the nonprofit organizations included in the sample.

Table 5. 1: Summary of Key Data per Case

	Community Root Gardens (CRG) – Ministry of North Oxnard Methodist Church	Habitat for Humanity - Ventura County (HfHVC)	Homeboy Industries (HBI)
Formal Founding Year	2008	1986	1988
Mission	*"Grow...a community of gardens and support garden leaders in neighborhoods throughout Ventura County. Share...healthy local produce with all of our neighbors. Empower...one another - through learning, teaching and cooperating - to nourish ourselves justly, sustainably and self-sufficiently. ReStore...wellness - to the land, the human spirit, and the community - through our core commitments to hunger relief, sustainability and caring."*	*"Seeking to put God's love into action, Habitat for Humanity brings people together to build homes, communities and hope."*	*"Homeboy Industries provides hope, training, and support to formerly gang-involved and recently incarcerated men and women, allowing them to redirect their lives and become contributing members of our community."*
Location	Oxnard (CA)	Oxnard (CA)	Los Angeles (CA)
Annual Budget (2015, 990 Form)	$60-80,000 (estimated, no public records available)	$2.6M	$16M $6.4 from social enterprises
Key Programs	Education Program Volunteer Chef Program	Home Building Preserve a Home Financial Education for Homeowners	Education Workforce Development Case Management Legal Support Mental Health Substance Abuse Support Tattoo Removal Domestic Violence Solar Panel Training Program
Social Enterprises	Farmer for a Day (pilot) 2014	ReStores - second-hand stores 1999	Bakery (storefront, wholesale, and online at homeboyfoods.com)

Launch Year of first SE			Silkscreen & Embroidery Homegirl Café Catering Homeboy Merchandise Farmers Markets Diner at Los Angeles City Hall Grocery - Salsa and Chips Homeboy Café and Bakery at LAX in the American Airlines terminal 1992
Staff	1 part time paid staff - 20h/week 25-30 volunteers	13 full time employees 5 part time employees	Permanent staff: 130 Trainees: 329

Source: Authors' own draft based on public information and personal interviews

Case 1: Community Roots Garden

“A whole acre of rich Oxnard soil. A bunch of caring people. And a dream.”
(Community Roots Garden website, 2016)

Community Roots Garden (hereafter CRG) is a Ministry of the North Methodist Church in Oxnard, California. It operates under the umbrella of the North Methodist Church, a legal tax-exempt 501(c)(3) organization founded in October 1974. As a religious type of nonprofit, the Church it is not required to file the IRS 990 form, so no public financial data is available.

Background

Although the Church had been involved with poverty and hunger alleviation in the county since it was founded, it was not till 2008 when the consequences of the US Great Recession started to surface, and the idea of utilizing the soil adjacent to the Church to cultivate fresh vegetables become to be. In 2006 they had to close a county-based food distribution program, but farm workers, illegal immigrants in many cases, kept going to the Church asking for food. The Church was trying to figure out how to alleviate the growing need for food when they turned their attention to an adjacent vacant lot, which was overgrown with weeds next to the Sanctuary. The story goes that Cindy, a Church member, had a dream and woke up one morning in 2008 with a clear vision of how the Church was going to feed that many people, and that was through a vegetable garden. She brought the idea to the Minister and the conversation sparked. Vern Novstrup, Chair of the Board explains,

> So at that time the minister of the church came to me and said, "You

> know, we're thinking about starting a community garden. What do you think?" And I remember my answer almost exactly. I said, "I think it's a wonderful idea, and I don't want to have any part of it.

The first organizing meetings were not well attended, but in early 2009, through word of mouth, more people got involved with the initiative, including a group of local volunteer gardeners called “Grow Food Party Crew” from Ojai, a town 25 miles away from Oxnard. On May 2nd, 2009, a larger group of volunteers, local activists, community organizers, and Oxnard City Corps broke ground and CRG become a reality. It was the beginning of Community Roots Garden: donations to pay for the water bills started to come in and the volunteers helped turn that acre of land full of weeds into a vegetable garden.

Early meeting routines established the importance of establishing truthful personal relationships by letting everyone talk before the formal meeting started. As Vern Novstrup explains,

> Basically each person would be asked to say something and because you had 50, there were several meetings that we have that the introduction would take 2-3 times that the work we did.

Through their connection with Community Action of Ventura County (CAVC), another local nonprofit, they were able to get a federal grant in May 2010 as part of the American Recovery and Reinvestment Act (2009) that allowed them to build a new water connection with the city and to buy more seeds, a greenhouse, a rototiller, and additional equipment and supplies for the garden. In the following years, CRG established partnership with key local organizations (Abundant Table, Mixteco Indigena Community Organizing Project, Kiwanis

Group, etc.) to spread the word about gardening and healthy eating habits. Community Roots Garden is not a plot or allotment garden where gardeners take control and responsibility over an assigned plot of soil. From the early days, it became clear that the spirit of the garden was to be a “true” community garden without pre-assigned spaces,

> [...] at the beginning everybody assumed the garden that we had was going to be an allotment garden, you know, where this is your land, this is your land, a very capitalistic approach. And as the conversation went on and on, well, it became very clear that that's not what they were looking for. (Vern Novstrup*)*

The whole acre of land is cultivated and tendered by all the volunteers indistinctively. Volunteers can take home some of the yield and they donate the rest to the Church and their local food bank.

> The Community Roots Garden philosophy is about collaborative and sharing economy, and kind of a sweat equity, so if you come and volunteer that’s how you pay for whatever vegetables and everyone shares, instead of having people coming and pay for a plot and they are responsible for their own seeds and they are responsible to keep their own harvest. (Angela Schultz)

Mission and Impact

Community Roots Garden’s mission is spelled in their site as:

> Our Mission is to *grow* a community of gardens and support garden leaders in neighborhood throughout Ventura County; to *share* healthy local produce with all of our neighbors; to *empower* one another -

> through learning, teaching and cooperation - to nourish ourselves justly, sustainably and self-sufficiently; to *ReStore* wellness - to the land, the human spirit, and the community - through our core commitment to hunger relief, sustainability and caring. ("Community Roots Garden Website ", 2017)

This mission was drafted during those early 2009 meetings. It was a participatory process that took several iterations and it was approved by consensus. Respondents referred to the strength of Mission several times during the interviews and they showed pride in its permanency and unifying characteristics.

> That Mission was written before we had the garden and it hasn't changed. It is written in a way that the garden has evolved around the mission statement - I think [if] the mission statement had been different written the garden would have evolved the same way but that was a summary of weeks of discussions and so it talks about a more resilient society. (Vern Novstrup)

Our respondents also connected the Mission with the large theme of social justice, empowerment and education. The estimated produce per season in pounds is winter 300 lbs., spring 500 lbs., summer 800lbs, and autumn 1200lbs.

> So a big part of the Garden’s mission is just making sure that there is organically grown food that it is available to anyone, no matter what your socioeconomic class is, this is available. Also to empower people to be able to grow their own food...and to know where their food is coming from, so the educational side is huge part of the garden's mission too.

> And also help starting other gardens in the community, being a support, kind of a hub for resources when they are other entities or people want to start growing vegetable on their own home and they want to learn how to do it sustainably they can come to the garden. (Angela Schultz)
>
> Initially, we thought we were going to be providing a lot of food. We provide a significant amount of food, but by far the most significant thing we do now is education. You know, and whether it be education with young children, or education with teenagers, or a place for recreation for older people like myself. (Vern Novstrup)

Leadership and Governance

As a Ministry of the North Oxnard Methodist Church, CRG doesn't have a separate legal structure or tax-exempt status. However, they are governed by their own set of Bylaws that links them to the Church as a Ministry. This organizational arrangement provides some advantages to CRG, such as the free use of the garden lot, free office space, and coverage under the same insurance policy that the Church. It also removes the need to prepare and submit separate IRS forms.

> We have a set of Bylaws which attaches us to the Church, and the Church voted for our existence, which means we're an official Ministry of the Church, which means the insurance coverage for the Church covers the insurance […] Having the insurance coverage and having the land, that gives us a lot of autonomy. And the Church -- and because we're a Ministry of the Church, the Church is obligated to provide some workspace for us. So like an office, that sort of thing. You know, they can

> decide to put us in a closet if they want, but they're not going to do that. (Vern Novstrup)

However, from a governance point of view, a separate Board of Directors chaired by Vern Novstrup runs CRG's affairs. The Church's Pastor and the Chair of Trustees oversee CRG's operations. As of December 2016, Vern Novstrup is the Chair of Trustees and the Chair of CRG's Board. The appropriate body resolves specific disputes: the Board of Church of Society supervises personnel matters and the Finance Committee oversees financial matters. The Church Council is the overarching decision body. The Church Council has a representative from Trustees, a representative from Finance, a representative from the staff, and the Pastor.

The Church Council has a hands-off approach on the way they oversee the different Ministries, giving ample decision powers to the Ministries' leaders. However, since they have veto power over the property, there are a few areas of activity that are excluded. These are the ones related to gambling operations or to alcohol being served in their premises. Since CRG was founded, the Chair of the Board has been volunteer Vern Novstrup. He was involved with the Church when the opportunity to transform the weeded acre came about back in 2008. Vern Novstrup is a geological engineer that has been working for the US Navy in Port Hueneme (CA) for the last 30 years. As shown by CRG's creation process, his leadership is very collaborative and democratic. CRG is not a hierarchical organization.

Staff

CRG is essentially a volunteer-run organization, and the only paid staff is

Angela Schultz. She is hired to work 20 hours a week. A Global Studies major from Azuza Pacific University, Angela first joined CRG as an intern working four days a week for a year till she was hired in 2013. As described by herself, she is a “one-woman show”: she facilitates the volunteers’ work and Board meetings, performs all the administrative work (emails/website, planning events, coordinating with school groups or other visiting groups, purchasing supplies, etc.) and even plays mediator between the gardeners when conflicts arise. As explained later, Angela became the Project Manager for Farmer for a Day (FFD), the social enterprise under analysis in this dissertation.

Volunteers

They receive an average of 20 volunteers per week. Volunteers can walk-in on Wednesdays from 1-4 pm and Saturdays 9 am-1 pm. Additional volunteer opportunities for groups can be organized by appointment.

Programs

Guided by its Mission, CRG runs a number of programs, but as explained by Angela, these garden activities don’t follow a formal “programmatic” structure, as is characteristic for other nonprofits.

> It is kind [of] as they go, we do have some regular groups than come through the garden regularly. There are a couple of, there are some preschools that come and visit every year or teachers from other schools that always do a yearly field trip. United Way always has us as part of their Day of Caring but that’s sometimes is just a one time as a company would call me up and say hey we want to do this volunteering opportunity with our employees, we found your website and can we come out and

volunteer for a day, kind of thing. (Angela Schultz)

Specifically, they facilitate the following activities:

- Field trips/Schools: Currently advertised in the site as center-based hands-on learning activities for kids of all ages.
- Volunteer Chef Program: CRG matches volunteer chefs with at-risk youth to prepare and cook meals for the Saturday volunteers (20-25 on average).
- Garden Education: CRG offers garden-related workshop such as composting, container gardening, seed saving, how to start a community garden, how to start a school garden, canning party, brewing compost tea, beneficial bugs for your garden. These workshops are free of charge but a suggested donation is welcome.
- Farmer for a Day: This program is the one being analyzed in this dissertation, so a full description has been included at the end of this case.

Finance and Funding

As a Ministry of the Church, CRG doesn't have to submit independent 990 to the IRS, so there was not public information available and interviewed informants were not able to disclose specific data. The Church allows them free use of the garden space as well as office space, but CRG has to cover their own operating expenses. The two main ongoing costs are the water bill and the salary of the part-time coordinator (20 hours a week). In order to cover those major expenses, CRG runs a number of fundraisers through the year, such as

the Autumn Harvest Fundraiser, in which they suggest a donation per family. In some occasions, CRG may receive some monetary donation from the Church. In an effort to offset the cost of some of their programs, CRG started to charge for the school field trips, although they make it clear that no kid will be turned down due to lack of funding.

Social Enterprises or Earned Income Strategies

Farmer for a Day (hereafter FFD) is a paid outdoor leadership and team-building workshop offered to corporations and medium and small businesses. Using gardening as a metaphor, participants learn how different garden stations (composting, planting seeds, nurturing and caring for plant and harvesting) relate to the work environment. Through hands-on activities, participant teams learn not only about gardening but also about the key principles of positively working in groups to achieve common objectives:

> Farmer for a Day is a team building workshop in the setting of a community garden so it's for corporations to bring their leadership management team or their employees out to a peaceful garden and to gain communication skills and really just get to know one another outside the office, so that through those fortified relationships you have a better workflow and collaboration in the office space. (Angela Schultz*)*

The idea of Famer for a Day was also explained by SCORE counselor Fern Perussse-Filzen,

> Farmer for a Day program is a leadership but also really a team-building program that helps different people understand what it means to have different roles and responsibilities, and it helps the team to be able to see

> things in a different light by using metaphors or comparisons to what goes on in a garden environment, because just as a business has different components and grows and is dependent, a garden also has different components that are dependent upon its health and its growth and its success and its results. So comparing different parts of the garden helps people to also take a look at how they can work differently or together in a team environment and really get the results that they're looking for. (Fern Perussse-Filzen*)*

FFD was started with support from California State University Channel Islands' undergraduate students. They evaluated the feasibility of the opportunity and defined the resources required to get the project off the ground. Angela Schultz was the Project Manager and Fern Perusse-Filzen acted as an external volunteer coach and consultant, providing valuable inputs for the design and execution of the workshop. An initial half-day curriculum was designed, and FFD was run as pilot with a local organization in October 2014. Feedback from the pilot participants was incorporated into an improved curriculum. Estimated costs were also adjusted and the price per participant was established between $75 and $100. Promotional materials were developed and information about the workshop was posted on the CRG's website. Efforts to attract new customers didn't yield any results. When Angela was interviewed in June 2016, she was still planning to promote and push FFD in 2017. The information about FFD on the organization's site is still publicly available.

Case 2: Habitat for Humanity Ventura County

"The great gift of Habitat for Humanity is that it offers us a way to reach out to fellow humans who don't have a decent place in which to live [...] Habitat sees decent housing as a human right."
(Jimmy Carter, 2009)[5]

Habitat for Humanity of Ventura County (hereafter HfHVC) is an independent nonprofit 501(c)(3) organization founded in 1986 in Oxnard (California). HfHVC is part of network of sister organizations affiliated with Habitat for Humanity International (hereafter HfHI). There are more than 800 HfH independent organizations in the USA (45 of them in California). They all sign a covenant agreement with the mother organization with the commitment to respect HfH values and expand its mission[6] across the country. Legally, they are all independent 501(c)(3) nonprofit organizations, responsible for running their own programs and for raising their own funding to run their operations. Traditionally, HfHI has given the affiliates ample freedom to operate as long as they act within the boundaries of the mission and maintain common criteria to select the families that they are helping. These families are selected based on their needs, ability to pay, and their willingness to partner with Habitat. It is important to highlight that HfH is not a giveaway program (Rubel, 2009) as families are expected to pay full price for the house using a soft mortgage. They also contribute with at least 500 hours of construction time ("sweat equity").

Habitat for Humanity International (HfHI)

Millard and Linda Fuller founded the Habitat for Humanity movement in 1976.

[5] Foreword for Rubel, 2009. Page vii
[6] Mission: *"Seeking to put God's love into action Habitat for Humanity brings people together to build homes, communities and hope.*

The idea was started at Koinonia Farm, a experimental Christian farming community founded in 1942 in Americus, GA by farmer and Baptist minister Clarence Jordan that developed the concept of “Partnership Housing”. Under this model, people in need of affordable housing will work with volunteers to build affordable, simple houses. In order to fund their construction and operations, they established a revolving fund fed by homeowners’ new house payments, non-interest loans, and donations from third parties deposited in the “Fund for Humanity”. No profit or interest was charged. This original idea turned out to be successful and was replicated first across the US and later international operations were added ("Habitat for Humanity International Website ", 2017)

In 1984 former U.S. president Jimmy Carter and his wife Rosalyn volunteered in their first Habitat build project. He also joined the Board of Directors, raising national awareness for Habitat’s mission and work all around the US.

By December 2016, HfHI was present in more than 70 countries and has built more than 800,000 houses. HfHI reported in their 2015 Annual Report a total of $268M in revenues, most of it ($239M or 90%) coming from contributions and grants. They served more than 1.5M people and 2.2M people volunteered for the organization (“Habitat for Humanity International Website”, 2017).

As a global nonprofit, HfHI is overseen by a diverse international Board of Directors with 23 members. Staff and volunteers under the leadership of CEO Jonathan Reckford run their daily operations.

HfHI provides guidance and support to the affiliates across the world, but those affiliates have ample flexibility in terms of the programs that they run and their

funding strategies. This fact creates a broad range of programs. Some affiliates concentrate their efforts in local home building while other diversify their activities and run multiple programs in different geographical settings.

Some of the big affiliates can build more than 140 homes a year versus the small affiliates (roughly two thirds of all US affiliates) that only build one or two houses annually. The big affiliates operate almost as large residential construction companies, with large paid staff and a solid volunteer-base. The small ones could be even run just by volunteers (Rubel, 2009).

Ventura County (California)

Ventura County is situated between Los Angeles and Santa Barbara County in Southern California (USA). With an extension of 1,843 sq. miles and more than 829,000 habitants, it is the 13th most populated county of 58 in California. Population composition by race is 48.12% white, non-Hispanic; 40.74% Hispanic or Latino; 6.72% Asian; and 1.61% African-American. Other races are represented but with weight under 1%. The median age for the county's resident is 36.9 years. Ventura County is one of the least affordable areas in California. In Q1 2014, only 29% of households could afford the county's median-price home of $460,000. With a per capita income of $32,930 and median household income of $77,363, access to regular ownership is limited and options for affordable housing are also limited. *(Ventura County State of the Region 2015)*.

HfH Ventura County started its activities in 1983 and was incorporated in 1986. In 1987, the IRS granted them their tax-exempt status. Initially, HfHVC was exclusively repairing houses for low-income families and seniors. In 1993

HfHVC received the first land donation. Oxnard resident Charles Henderson lived in small house within a large property and negotiated with HfH's representatives to donate all his land at his death in exchange for having HfH building a decent house for him to live in. Eventually, after Mr. Henderson's passing, HfH was able to build two additional houses in that land and three families benefited from it.

Following the model initially established by Habitat International, HfH in Ventura requires qualifying families to fit to contribute financially and with "sweat equity" to their home acquisition. HfHVC don't give "a hand out, but a hand up".

Mission and Impact

HfHVC' mission is "Seeking to put God's love into action, Habitat for Humanity brings people together to build homes, communities and hope" *("Habitat for Humanity VC Website ", 2017)*

Since HfHVC was first started, it has built more than 60 houses and repaired more than 100 houses for low-income families.

Leadership

The day-to-day operations are lead by Executive Director Steve Dwyer. Steve Dwyer joined HfHVC in 2013 after former Executive Director Stacy Swanson left the organization the year before to pursue a new professional opportunity with California Lutheran University in Thousand Oaks.

Steve brought to the organization more than 20 years of corporate international experience after a successful career as Finance Director of General Electric Energy in Asia, where he spent most of his adulthood, relocating through different Asian countries. When he decided it was time to move back to

California, he looked for alternative job opportunities.

> Upon my return, I wasn't interested in continuing in corporate America. [...] I was looking for something different to do without trying to understand what that was will be so I was just sort of googling around with jobs sites and things and that's where the Habitat for Humanity Executive Director job happened to show up. And that's the only nonprofit I have ever interviewed for and never really thought that that will be a career or a job. [...] What I didn't want to do was go work for one of the corporations in the area and have a similar finance management type of role. I was just kind of burned on that. (Steve Dwyer)

Without any formal nonprofit experience, Dwyer proceed to understand the strengths and weakness of the organization and took several measures to guarantee the survival and continuous delivery of the mission. As it will be discussed in Findings chapter, hiring Steve became a turning point for Habitat.

Governance and Board

Habitat for Humanity Ventura County is governed by a Board of Directors. In 2015-2016, the Board was composed of 13 members with diversified and complementary backgrounds: bankers, lawyers, realtors, financial planners, members of the army, and a church's pastor. Developing and purposely strengthening the Board has been a priority for Steve Dwyer since he joined in 2013. Three more board members joined in November 2016, bringing solid experience in the local real estate market as well as in law enforcement.

Staff

As of February 2017, it employs a total of 13 full-time employees (eight in the

Administrative Office, two on the Construction side, and three in the ReStores) and more than 20 part-time employees. Their administrative office moved to their new location at 1850 Eastman Avenue in Oxnard in February 2016. This is the fourth location in Oxnard since it was founded.

Volunteers

More than 2,000 volunteers donated almost 40,000 hours and expertise in the last reported year. Volunteers are assigned into different areas based on their skills set, time availability and interest but mainly in construction sites, ReStores, or “behind the scenes” tasks. Volunteers can participate individually or as a group. For instance, Habitat Young Professional of Ventura County (HYP) is a group of young professional volunteers that contributes to expand the HfH mission while providing socializing opportunities.

Programs

HfHVC areas of activities are organized around two major programs:

Homeownership Program: More than 60 families have been helped to become homeowners in Ventura County since HfH was founded. Once selected, the family contributes with 500 hours of “sweat equity” to help building their own houses. They also have to attend homeowner education classes learning everything from budgeting and finance to home maintenance and repair. Families also take a soft-interest mortgage and contribute to the down payment with their savings. Due to the high cost of the land in Ventura County, with an average cost of $750,000 for 1 acre vs. $25,000 on the East Coast, the average cost per house built by HfHVC is $440,000. As of January 2017, they are finishing up the Trinity Lane Development in Santa Paula, a construction of

eight single-family homes (two-story, two-car garage, half bath and family area downstairs and bedrooms and full bath upstairs). In 2016, 4 new families (including 15 kids) become homeowners in this development. As of January 2017 they are also working on permitting and completing site surveys for a new home to be built in Oxnard, in a lot located at First and Hayes Streets. Completion is expected for late summer.

Preserve a Home Program: This program helps low-income homeowners repair their homes at affordable prices. More than 100 homes have been fixed in Ventura County since the program started in 2011. In 2016, 26 homes were repaired. The owners and their families also contribute with “sweat equity” jointly with Habitat volunteers and staff. In some cases, homeowners may be required to pay back services by getting a zero-interest loan from HfHVC. The are four types of repair services:

- “Brush with Kindness” includes exterior painting, landscaping, and yard clean-up.
- Minor Repair includes repairs included above plus small repairs inside the house, for instance weather stripping around doors, interior paint, etc.
- Major Repair includes repairs included above plus more work/material intensive repair such as electrical or plumbing work.
- “Ramps & Rails” helps owners to age in their own place, facilitating mobility around the house by constructing a wheelchair ramp and widening doors for better wheelchair access.

This program is currently funded by Community Development Block Grants

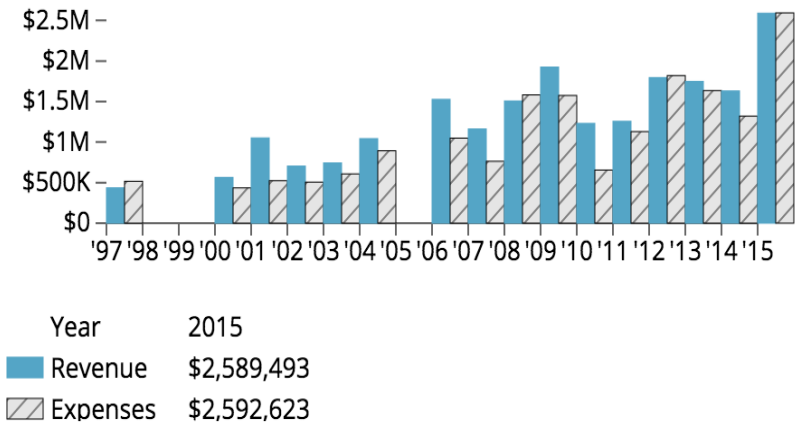
(CDBG) from the US Department of Housing and Development (HUD). The average repair cost per home is $7,500 ("Habitat for Humanity VC Website ", 2017). They are on track to repair 30 additional homes in FY17.

These home repairs are described by Steve Dwyer “as an investment because it is cheaper to do these repairs, allowing the homeowners to stay in their homes longer than to displace them to a senior facility.”

Funding

HfHVC declared total revenues of $2.6M in 2014-2015 (Form 990), a 59% increase over previous year. The source of revenues are distributed among contributions and grants, program services revenue (including ReStore sales), and other revenues. (GuideStar USA, 2017a)

Figure 5. 1: Revenues vs. Expenses (1997-2015)



Source: GuideStar USAa, 2017

The donations come from individuals, corporations and churches’ ministries. Individual donations are encouraged and collected all year around. Their biggest annual fundraiser is called “Hearts & Hammers Dinner and Auction”. It

takes place in October. There are additional fundraising events through the year such as the “Woman Build Day - She Nailed it!” in which teams of four women compete and showcase their building skills.

HfHVC has built relationships with local corporations and small businesses that regularly contribute to their operations and programs. In 2016 a new corporate fundraising event was piloted, the “Playhouse Build Day,” in which corporation employees help build playhouses for local military and veterans families. The corporation donated $2,000 per house built to offset the cost of materials. The inaugural Playhouse Build Day took place on Sept 22nd, 2016 at the parking lot of the sponsor organization Move Inc. (Realtor.com) in Westlake Village. More than 100 employees helped built 13 custom-made houses. Home Depot also contributed by donating building materials. A key corporate donor is Thrivent Financials, a Fortune 500 not-for-profit Christian financial services organization headquartered in Minneapolis. Thrivent Financial supports HfHVC affiliates, but the relationship between Thrivent and HfH International expands more than 10 years.

Additionally, HfHVC has established long-term relationships with some local churches. Some of these churches have created their own Ministries to support HfH’s mission and they contribute regularly with funds and volunteers. See, for instance, “Habitat to the Max” ministry in Saint Maximilian Kolbe Church in Oak Park (CA).

Grants

Local cities provide block grant funding from the Federal Department of Housing and Urban Development (HUD). HfHVC has received funding from the cities of

Camarillo, Ventura, Oxnard, and the County of Ventura.

Social Enterprise - ReStores

ReStores are second-hand stores that sell building materials, furniture, house goods and a small inventory (less than 15%) of new rugs, mattresses, and recycled paint. The first ReStore worldwide opened in Canada in 1991 and the first US based ReStore opened in Austin, Texas the following year. We follow with a historical recollection of the evolution of the ReStore concept in Ventura County.

ReStores' humble beginnings

The first HfHVC's ReStore iteration started in 1999. Nancy Stehel, currently a Board Member but a volunteer back them, brought the idea to the Executive Director at that time.

> I was working in the office actually as a volunteer. And I found out that people would donate things, I mean brand new things to us, and generally we couldn't use them because they were inappropriate or the house wasn't built to handle that. And one of the things that caught my attention was somebody wanted to donate a hot tub. And it was like, no, that's not appropriate for our families. I thought, God, we should be able to sell stuff like that. So I talked to the executive director at the time. (Nancy Stehel)

The idea of second-hand store was being developed simultaneously by other affiliates in the country. HfHVC's then-Executive Director and Board did not oppose Nancy's idea, but they were cautious about it and reluctant to make any investment. Nancy Stehel visited a couple of successful ReStores in San Diego,

California and Austin, Texas in order to become more knowledgeable about the model behind the stores. Eventually a second board member, David Goldstein (who is still in the Board as of January 2017), decided to conduct an economic analysis to assess the feasibility of the idea. This analysis confirmed the viability for at least one store in the county and there was a sense of urgency to move fast to discourage a for-profit competitor to start a similar venture.

> He did an economic analysis and said, yes, we could justify one in the county, but we need to do it soon because somebody else who would do it for profit, might be interested in it when they see the economic analysis. (Nancy Stehel)

Nancy's recollection points out to some positive coincidences that allowed them to move the idea forward. For instance, in August 1999, the first ReStore location occupied a vacant space in a repair shop garage on Market Street in Ventura that the owner let them use for free.

> It's interesting how everything kind of fell into place. We used to [...] go to the Home and Garden show, and it was twice a year I think. And we would just talk about Habitat and try to get people interested in volunteering. And what happened was somebody else was there. And Nan said, well gee, how about I can loan you some space. I don't need it right now. I've got it, I'm paying for it, but I don't need it. So if you would like to use the space or whatever. And so I heard about that. We were using it for storage at the time. And I said, well, why don't we use that for the store? Turned out it was two bays in a garage, a repair shop garage in Ventura on Market. (Nancy Stehel)

With that space secured, Nancy had to figure out how to run the operations. From early on, she understood having paid staff as key to the success of the stores. With grant money she was able to hire a part time employee and to buy a truck to pick the donations up. They also welcomed their first ReStore volunteers.

> I got a student from Cal Lutheran [University] who needed some volunteer hours to take care of her scholarship. [...] We got a small grant. And that allowed us to stay open on Friday night, Saturday and Sunday afternoon. And so that's how we started. And she worked there. Because I felt it was important that we had a paid staff because then they would show up, and we wouldn't have to worry about filling in with volunteers. And we started in August. (Nancy Stehel)

By summer of 2000 the space's owner wanted it back so they had to look for a new location. Since their main office in Lambert Street, had some adjacent warehouse space that became available, they decided to ask the landlord to let them move in there gradually without paying additional rent.

> The landlord also had some warehouse space. And he was getting ready to downsize and didn't need that warehouse space. So we made a deal with him that we would move into the warehouse space gradually so that we didn't have to pay for the space, all the space right away. So we gradually took over part of his space. (Nancy Stehel)

At this point, the store was making money; some volunteers and donors were very supportive of the idea, so the Board approved moving to this space in Lambert Street. They were also able to hire a full-time store manager, but there

were ups and downs in the operations that lead to frequent rotations of managers.

Great Recession: ReStore's contraction and expansion

In 2006, Stacy Swanson was hired as the Executive Director. Stacy had a Liberal Arts major with an emphasis in English from California Lutheran University and a masters in Christian leadership. Stacy Swanson had a successful career working for Thrivent as a financial advisor and grant administrator with $8M annually distributed throughout the Pacific Southwest. It was through this grant administrator position that she first learned about Habitat and got familiar with its mission. When she joined HfH in Ventura County, the existing board downplayed the importance of ReStore contribution to the overall organization and she was told not to put her energy there.

> Don't even worry about the ReStore. Leave it alone. It's doing just fine. You don't even need to think about that right now. We're not worried about the ReStore. (Stacy Swanson)

Stacy managed the organization through the convulsive and challenging Great Recession years. When she joined, they were finishing a six-house development in Oxnard, but they didn't have any more land or a solid base of donors and supporters. "My first order of business was to try to acquire more land. And secure funding and establish relationships," she said. There were only three full-time employees, herself, a manager and the Oxnard ReStore manager, as well as a number of part-timers: a bookkeeper, a construction manager, and the ReStore crew. These positions had a big turnover. Eventually Stacy decided to understand the dynamics and viability of the ReStore. But in

late 2007, the Great Recession started to dramatically impact all the organization's sources of revenues: grants, donations and the ReStore's income. "The ReStore sales went down, you know and we had to start making some tough decisions. And so, I had to do a series of layoffs."

During Stacy's tenure, they moved the Habitat main office from a remote location in Oxnard with little traffic to Rice Avenue, a busier area in Oxnard. The ReStore operations were also relocated to this new location. Wendy Monk was hired as the new manager and sales started to go up. "Well, she knew how to market" (Nancy Stehel, 2016). Around that time, there were also some early conversations about the appropriateness of opening a second store. "David and I have both talked about we really wanted to start a second store in East County. [...] Because people don't come over the hill either way [...] It's a definite geographic barrier there" (Nancy Stehel).

Eventually, in April 2012, a new 19,000 sq. feet retail space was opened in Simi Valley, a town in East Ventura County, 35 miles away from Oxnard. Since it was a commercial retail space, the lease was substantially higher than the warehouse space that ReStore occupies in Oxnard's industrial area. The high cost of the lease became a burden in the following years:

> We were not the right people. And we made a big mistake. We got too big a facility for what we could support. And so we're still suffering from that. But we have a couple people on the board who are in real estate who really understand what needs to be done. And helped us renegotiate the lease so that it was more affordable than it was before. (Nancy Stehel*)*

The same store manager, Wendy Monk, supervised both stores, in Oxnard and Simi. Overtime it became clear that having one manager for both was not the right decision. Stacy left in 2012 to pursue a new professional opportunity working as the Director of Development for the Graduate Schools at California Lutheran University in Thousand Oaks. The search for a substitute started.

Professionalizing ReStores

A new Executive Director, Steve Dwyer joined in December 2013. From the beginning he made a conscious effort to try to elevate the character of the ReStores. Dwyer described ReStore as another division in the organization. In an effort to professionalize this social enterprise, he hired Lisa Robinson in June 2016 as the Director of all ReStore operations. Lisa has more than 30 years of retail experience in small business and big-box retailers such as Lowe's and Target.

As of January 2017 each store has a full time manager and two part-time employees. There are two trucks available to pick up donations operated by a driver and a part time helper. Additionally, ReStore participates in the state of California "Return to Work Program". Under this program, employees with work related injuries or other type of illness are encouraged to work as soon as possible in a position that doesn't interfere with their recovery. These injured individuals are assigned by the store manager to different duties based on their current capabilities. ReStore also welcomes Arc volunteers to perform different tasks adequate to their capabilities. The Arc of Ventura County is local nonprofit that promotes the inclusion of individuals with intellectual and developmental

disabilities.

Volunteers are also encouraged to participate in these retail operations. The volunteers participate in specific, discrete projects such as wall painting. Traditionally, it has been harder to build a group of reliable volunteers willing to put the hours working for ReStores.

> For some reason people don't like to work in the ReStore [...], their first choice is to build a new house. Second choice is to do rehabs. And the third choice would be the ReStore. (Lisa Robinson*)*

There are meaningful differences in the type of customers, products donated and sold in both Simi Valley and Oxnard stores. This variance is due to the different demographics of both cities and also by the type of space (industrial vs. retail) that the stores are located in.

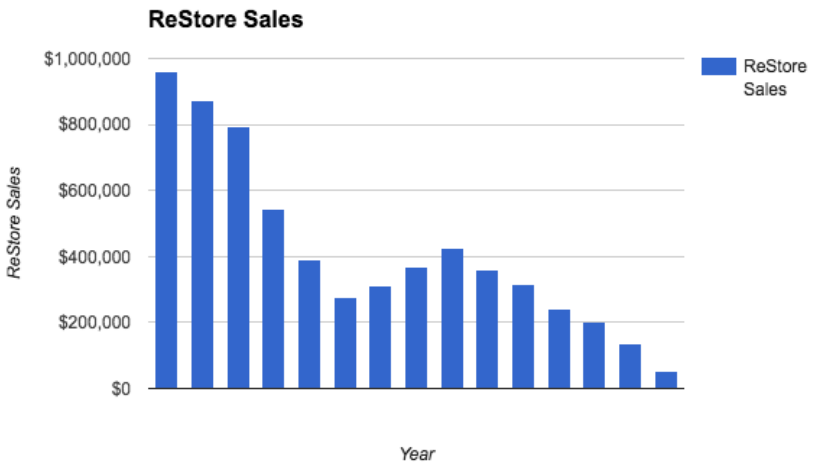
- Oxnard: This store is 15,000 sq. ft. It is situated in an industrial area. Of their total sales, 70% is for building materials and 30% is for furniture.
- Simi Valley: This store is 19,000 sq. ft. It is situated in a commercial area with foot traffic. 70% of sales are furniture.

From a research point of view, these two stores present an interesting opportunity since the Oxnard store has been updated and upgraded under Steve Dwyer and Lisa Robinson’s tenure, while the Simi Valley store hasn’t been upgraded yet (as of February of 2017). Visible changes and improvements have been incorporated in the Oxnard store that is discussed in the next Chapter. Improvements in the Simi Valley store are planned to be implemented during Summer 2017.

No consistent marketing efforts have been done to promote the ReStores. Steve Dwyer and Lisa Robinson are in the process of evaluating different options to elevate the brand, increase brand awareness in the county, and reinforce the connection between the ReStores and the general HfHVC mission.

From a sales point of view, it was not till the FY00 fiscal cycle that HfHVC declared ReStore activities and sales for a total of $52,000. In "Part III: Statement of Program Service Accomplishment" of Form 990 we can read: "ReStore- Retail store to sell used construction materials provides inexpensive materials to the public and decreases materials going to landfills". Since that year, revenues from ReStore operations have grown with inconsistent growth rates.

Figure 5. 2: ReStore sales (2015-2000)



Source: GuideStar USAa, 2017

As mentioned earlier, since the arrival of Steve Dwyer, Habitat for Humanity

Ventura County has become an organization with sustained revenue growth in all types of revenues including those generated from its ReStores. Our next chapter (Findings) describes in details the hybridization process that Habitat is immersed in.

Case 3: Homeboy Industries

"So it became our vision to not just have our nonprofit Homeboy businesses, but to push the frontier and have a set of for-profit enterprises that employ the same folks and prove to the world that this model can be successful."
Tom Vozzo, Homeboy Industries' CEO[7]

Funded by Jesuit Father Boyle, Homeboy Industries (HBI hereafter) is a successful gang rehabilitation program located in East Los Angeles (California). Started in 1988, initially as "Jobs for a Future", it has been providing free rehabilitation and training programs to ex-convict and ex-gang members, informally called *homies.* Homeboy Industries offers a holistic approach to rehabilitation by providing free therapeutic and educational opportunities (mental health and substance abuse support, counseling, and classes); practical services (tattoo removal and legal assistance); and as a key component, a 18-month on-the-job training program, where the beneficiaries get hired to work in the main office and/or the different social enterprises started by HBI (Homeboy Bakery, Homegirl Cafe, Catering, Apparel and Merchandising, and Homeboy Silkscreen & Embroidery). This training program allows ex-gang members to acquire basic employment skills preparing them for placement in external jobs after graduating. In 2015, the social enterprises' earnings accounted for 40% of their total $16M annual revenues. HBI operations are based on the Seven Principles of Creating Kinship and the power of "compassion and unconditional love to every interaction" (HomeboyIndustries, 2015).

[7] https://www.fastcoexist.com/3068115/future-of-philanthropy/homeboy-recycling-helps-formerly-incarcerated-workers-get-on-their-fe

Background

Father Boyle, a Jesuit since 1972, was ordained a Catholic priest in 1984. After he served a short missionary stint in Cochabamba (Bolivia), he returned to his hometown of Los Angeles, California; between 1986 and 1992, he served as the pastor for Dolores Mission Church in Boyle Heights, one the most dangerous and deprived neighborhoods in East Los Angeles. “This was a wholly selfish decision on my part. I knew that the poor had some privileged delivery system for giving me access to the Gospel” (Boyle, 2011, p. 1). As a pastor, he became very familiar with gang-related problems and he realized that the biggest issue faced by the youth involved with gangs was the lack of hope due to the absence of job opportunities, especially after they were released from prison with a criminal record.

Father Boyle started a nonprofit employment referral center called Jobs for a Future (JFF) based on the belief that “Nothing stops a bullet like a job”. JFF helped his clients with counseling, tattoo removal, interview preparation, and job placement. However, Father Boyle struggled to find companies willing to provide enough jobs for his *homies*, placing only 350 clients out of 1,000 that visited JFF’s office every month. He then decided to create those job opportunities himself by buying, with Hollywood agent Ray Stark’s help, a small local bakery in 1992 that could hire the *homies* participating in the JFF’s training program. Homeboy Industries was born then to “be a manufacturer of hope”. (Choi & Kiesner, 2007)

Mission and Impact

Mission: “Homeboy Industries provides hope, training, and support to formerly gang-involved and recently incarcerated men and women, allowing them to redirect their lives and become contributing members of our community” ("Homeboy Industries Website," 2017)

In 2015, HBI reported that 329 graduated from the 18-month Job Program; more than 9,200 people were impacted and more than 370 families reunited. A study from UCLA found that 70% of graduates of the HBI program haven’t been arrested two years after graduation. (HomeboyIndustries, 2015)

Leadership and Governance

As of December 2016, HBI’s Board is composed of 23 members, chaired by John Brady, Managing Director of Oaktree Capital Management.

The Staff Executive Team includes 9 people and the Leadership Team is currently composed of 13 people. Within the Leadership team, there is a Social Enterprise & Business Development Director, but the position is currently vacant as their previous director, Therese Nolasco, left in summer 2016 to start her own consulting practice.

The current CEO, Thomas Vozzo, was hired in 2013 after a successful 26-year corporate career at WearGuard, Galls, and finally in publicly traded Aramark (ARMK), where he became the President of Aramark Uniform Division. During the final year of his corporate tenure, this division recorded more than $1.8B in revenues and more than 16,000 employees. After he left corporate America, one of his friends and HBI and Salvation Army’s board member asked him to

volunteer for HBI, specifically helping the nonprofit with their social enterprises. “How about you come and volunteer and help out at the social enterprises here because they need some guy with some gray hair and business experience?” (Tom Vozzo).

He was captured by the transformative impact that the organization had on their clients.

> And on my first day coming in as a volunteer, I loved it. You know, my business past, we made 40 acquisitions. I made 40 acquisitions in eight years. So, we got a sense for how to evaluate companies. But really, when you go do an acquisition, you go walk the shop floor. You go talk to employees. You get a sense for the culture. And so, when I walked around our locations, when I saw and hear these folks here who are engaged, they smile. (Tom Vozzo)

A few months later, when Father Boyle asked him to join formally as interim CEO, he didn’t doubt it. It was the first time that HBI had a CEO. In the past four years he has focused on establishing operational systems and processes as well as diversifying the sources of funding by increasing revenues from social enterprises, as well as through the acquisition of a for-profit.

Staff and Volunteers

In 2015 they reported 455 full-time employees, but 329 of those are the clients that went through the 18-month Job Program. As trainees, they get paid monthly from the very first month. Approximately one quarter of their regular

full-time employees started as trainees in their 18-month Job Program; this “helps Homeboy accomplish its goal of erasing barriers between ‘us’ and ‘them’, while providing new clients with positive role models” (GuideStar USA, 2017b). They hold different positions from managers to counselors.

HBI has a solid volunteer base. Volunteers contribute in different organizational areas (event planning, tutoring, legal services, tattoo removal, etc.).

Programs

HBI provides a holistic 18-month Job Program to men and women that are committed to transform themselves. As of December 2016, there are 300 full-time people enrolled in this program, but every week, another 500 walk in to benefit from additional free programs.

The 18-month Job Program has three phases (HomeboyIndustries, 2014)

1. Orientation: Trainees start by being part of the maintenance crew in the HBI main office in order to gain basic employment skills. Simultaneously, they can participate in any of the educational and health therapy opportunities as well as in tattoo removal sessions.

2. Immersion: From maintenance work, trainees are transferred to clerical and support positions that build higher-order employment skills such as basic computer, customer service, and communication skills.

3. Transformation: From previous clerical positions, trainees move to either Homeboy's social enterprises or outside internships such local restaurants, film production companies, Project 180, etc.

Additional free services and programs available are:

- Tattoo Removal
- Counseling
- Legal Support
- Broad Educational programs: GED classes, Solar Panel Installation Certification Program in East LA Skills Center, Industrial Safety Training Program, etc.
- Case Management: The case manager assigned to each trainee supervises his/her progress and provides advise in educational and counseling matters.

Financials

HBI closed 2016 with a strong financial position. However, they went through some financial turbulent times. The US economy tanked in 2008, and the Great Recession also had a devastating impact in HBI and their total funding dropped by 25%. In 2009 their social enterprises were generating $2M annual revenues, but they were operating at a deficit, since they were costing $4M to operate. Eventually, on May 13th, 2010, Father Boyle had to layoff 330 out of 427 HBI employees. That day eventually became known as "Black Thursday" (Boyle, 2011). As Father Boyle explained,

> The recession had hit hard and much of our funding had dried up. We'd cobbled together the payroll money for the past few months but now the well was dry. We had more than 300 employees, most of them former gang members, counseling addicts, answering phones and teaching classes. They'd all have to go. The senior staff would be laid off. I would be laid off, and I'd helped found the place. We talked all morning about what to do. We were desperate for another solution but there seemed to be only one course of action. [...] Worse, I blamed myself. We'd recently built a new headquarters that let us bring all of our programs under one roof. It was paid for but I hadn't anticipated the increase in costs our expansion would generate.

Father Boyle estimated that at least $5M was needed to keep the organization alive. The *homies* decided then to keep working without being paid and they also got personally involved in serious fundraising push. With a lot of effort they were able to raise $3.5 million. Additionally they secured a contract with the County of Los Angeles County for $1.3M to work with youth on probation (Boyle, 2011). "There is no question Greg Boyle is a saint, but even saints need good businessmen". (McGray, 2012)

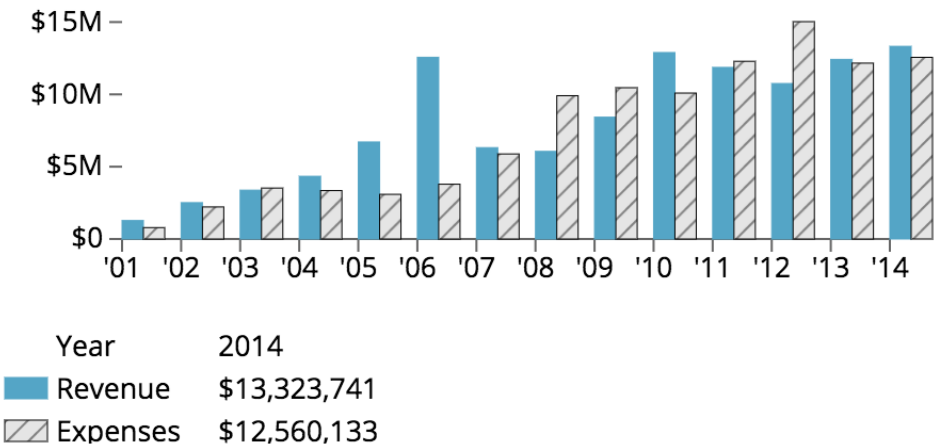
Last reported year was 2015. A total of $16M was reported as revenues distributed as: $6.4M from social enterprises, $4.3M from individual contributions, $2.8M from foundations & corporate contributions, $1.9M generated from fundraising events, and $0.6M from government grants. A total of $15.8M was reported as expenses: $5.4M spent to run the programs, $4 M

spent in trainee compensation, $3.2M spent in running the social enterprises, $1.8 in administrative costs, and $1.4 spent in fundraising efforts. It is important to note that, although the social enterprises' revenues account for $6.4M in revenues, their total operation cost including the labor cost is higher ($7.2M):

> So, if you, if you do a full P&L accounting of the businesses here. There are -- they would lose money. Because every one of our businesses -- nearly all of our businesses, we carry two to three times much labor as a for-profit business would have. But that's what we're about -- it's providing jobs. So, thankfully, we have such good donor support that they offset that extra labor. And so, if we pulled the extra labor out, our businesses would look like a normal business profit. But, obviously, labor is in there. (Tom Vozzo)

The following presents the evolution of revenues and expenses from 2001.

Figure 5. 3: Revenues vs. Expenses (2001-2014)



Source: GuideStar USAb, 2017

As 501(c)(3) tax-exempt organization, HBI doesn't pay taxes on revenues or property taxes. However, Los Angeles' minimum wage regulation that raises the city's minimum wage to $15 by 2020 could compromise their ability to offer as many trainee positions as planned. In 2015, a group of three Los Angeles nonprofits that train transitional workers (HBI, Chrysalis and L.A. Conservation) came forward and requested an exemption to the City of Los Angeles. The LA City Council committee unanimously approved the exemption. Under this exemption these three nonprofits are allowed to pay their "trainees" the state minimum wage instead of the city's one (Watt, 2015).

Fundraising

Homeboy Industries has a broad donor base distributed between individuals ($4.3M reported in 2015), corporations, and foundations ($2.8M in 2015). Father Boyle was able to attract, from the early days, a broad base of celebrities such as Angelica Huston and Martin Sheen, personalities, elected officials, corporations, and foundations to support his efforts.

There are two major fundraising events through the year:

- Lo Máximo Awards & Dinner (March). This is a gala dinner when "Lo Maximo" awards are given in different categories to recognize *homies* and volunteers. Tickets can be bought individually ($500 per ticket) but corporate sponsors are also welcome with contributions ranging from $10K for Advocate to $75K for Leader sponsorship.

- Every Angelino Counts 5K & Festival (October). This annual 5K course starts and finishes in HBI main office in downtown LA. Complemented by a street festival, this event raises funds while creating awareness about the HBI mission.

Social Enterprises[8]

Since the early JFF days in the late 80's, Father Boyle thought of the idea of creating businesses as a way to provide the *homies* on-the-job training opportunities as a ramp to future jobs outside the organization. "We don't hire *homies* to make break. We make break to hire *homies"* (McGray, 2012). However, serendipity seems to have had a role in how Father Boyle first approached the creation of their social enterprises. Father Boyle never saw himself as a businessman, but he recognized that "he had to think more like a businessman" (Mejia, 2015). Initially, the social enterprises were described as a source of funding by Father Boyle; "If we can increase revenue, we could fundraise less, or not at all. I don't know if we can ever reach that goal. But at least so we're not white-knuckling it" (Hallock, 2011). Eventually, Father Boyle understood that it was through the creation of business owned and operated by the organization itself that they could actually fully deliver their mission. Fast-forward almost 30 years, and CEO Tom Vozzo's words still echo that Father Boyle's early wisdom:

> The social enterprise businesses [...] they're really a training program. [...] They [*homies*] come out of prison, right? They have never worked

[8] Choy & Kiener (2007) case and Covell's historical description (Covell, 2012) provides a recount of the early days of HBI's social enterprises.

> for a month in their whole life. And so, for a society to think that we can release these folks out of prison, and that some government agency will help them write a resume, well, they may get a job. But they're not going to be able to keep a job. They don't have the wherewithal of how you work, the cadence of working, of what supervision is about, what getting your directions from a supervisor is about. They don't know anything about that. So, part of, a lot -- what we do is we put them in a work situation that's real life and teach them. You know, and that when they fall backwards and do something that will get them fired elsewhere, we just counsel them through it, and you can explain to them what the things are. So, a large part of our businesses are about getting them so that they can be resilient in their life after Homeboy. Keep -- get a job, keep a job. (Tom Vozzo)

Organizationally they are divided into two separate divisions: Food & Beverage and Social Enterprise & Business Development, each area managed by a director that report directly to the CEO. We have included below a brief description of the existing social enterprises organized chronologically as well as other social enterprises that were started but were discontinued.

Homeboy Bakery

As explained above, in the early 90's Father Boyle had an opportunity to buy an existing bakery that was closing across the street from their first location. That bakery eventually became HBI's first social enterprise. The bakery opened its doors in 1992 after the Los Angeles riots and it went through a series of

financial troubles that prevented it staying open continuously until 1996, when it won a contract with Frisco (N. Meyer, 1999). Unfortunately, a fire completely destroyed it in October 1999.

When HBI new headquarters opened in 2007 in Bruno Street, a new 5,000 sq. ft. bakery was also opened within that building.

Homeboy baked goods are made 100% from scratch daily and are currently sold in the Bakery in Bruno Street, in local Farmer's Markets, and online nationwide via HomeboyFoods.com. *Homies* get trained in cake & pastry, laminated dough, and bread & rolls techniques. "The Bakery is a place where former enemies bake bread side by side, learning the art and science of preparing breads, pastries, cakes and much more" (Homeboy Industry website, 2017).

Homeboy Silkscreen & Embroidery

The original idea for this social enterprise came from Ruben Rodriguez, a former trainee that wanted to pay back the help he got from Father Boyle and HBI. His wife knew how to operate the necessary equipment, so Ruben took the time to research, wrote a business plan, and after a few iterations, Father Boyle approved the idea.

Eventually, Homeboy Silkscreen & Embroidery became their first social enterprise to break even. Among some of their bigger clients, the City of Los Angeles has spent more than $600,000 since 2008 on merchandising for its Summer Night Lights program (Linthicum, 2011).

Homegirl Café & Catering

HBI was considering opening a Homeboy Cafe in 2007. Father Boyle and Michael Bacca asked Patti Zarate, formerly a cook for the Jesuits in Los Angeles, to start a Homegirl Café, and she took advantage of the opportunity. In just a few months the restaurant was profitable and able to employ seven *homies*. In a 2013 interview with LA Weekly, Patti Zarate recalls her early days helping at Dolores Mission (Ritz, 2013),

> I was doing quite a bit [of catering] in the Hollywood Hills, and Silver Lake. [Then] with the Dolores Mission community I put a class together to develop a business plan. A group of women and I put together a plan to develop a co-op. It didn't happen. I went to Little Tokyo Services Center because they had a co-op café on Central and First Street. [...] The bakery burned down, and it was not open for a few years. I was waiting for Greg to come with the funds to open a café. I opened the first one. I opened the second one. Talking to him one day I said, "Here, I have a café." And he said, "Here, I have women that need jobs." So he sent people, and I became an employee. In my own place! So I transferred that whole operation to Bruno St. [...] I was waiting for that opportunity. And since I was working with Greg during that terrible time of gang life in Boyle Heights, I think I understand what's going on, what's needed. Because I was working with women at Dolores Mission who were looking for venues for the kids. Greg said, "Tell me what you need, and I'll follow you." All this comes from graduates in Dolores Mission, the

> idea of Homeboy, the idea that we have to take care of our kids that aren't being served. Greg was there and had open ears to try to solve that situation. It was somewhere in the middle [...] a combination of spontaneous ideas, and then careful planning*?*

Inspired by the success of their Mexican fusion plates served at Homegirl Café they also started a full-service catering business that accounts for more than $1M in annual sales. Their food services offering expanded when a retail space opened on the second floor of Los Angeles City Hall in 2011. The Homeboy Diner @LA City Hall serves light lunch, baked goods, coffee, and tea sourced daily from Homegirl Café and Homeboy Bakery.

HBI has also licensed its name to a concession company to run a Homeboy Café in Los Angeles airport (Terminal 4). Part of the grab-and-go foods sold there is also produced by HBI.

Homeboy Merchandise

After Homeboy Silkscreen & Embroidery started its operation in 1996, HBI's employees and even Father Boyle started to wear t-shirts and shirts with the HBI logo. They became popular among their clients, friends, and supporters, so they started to take orders to sell them outside HBI. The opportunity was there so they created a catalog with 40 different items ranging from $15 to $25. Design, marketing, and distribution was done by the Merchandise team, which outsourced the production to Homeboy Silkscreen & Embroidery (Choi & Kiesner, 2007). After some experimentations with their distribution channels (stores and kiosks in shopping malls, by catalogue, direct online, etc.), they are

now primarily sold online, in events and speaking engagements as well as through their off -campus locations such as Homeboy Café in Los Angeles Airport, Diner @LA City Hall and the store located inside their main offices in Bruno Street.

Homeboy Foods

Businessman Bruce Karatz, former CEO of KB Homes, a construction company, joined the organization as a volunteer in 2010. In 2008 Karatz had settled charges brought by the SEC related to the manipulation of executive stock options. In 2010 he was sentenced to probation for five years, including eight months of home detention (Linthicum, 2011). His business acumen and contacts made him very valuable to the organization during those turbulent financial times. He was able to successfully negotiate commercially packaged Homeboy tortilla strips and salsa to be placed in Ralph's supermarkets across Southern California. Both products are manufactured by third parties - the tortilla strips by Snack King and the salsa by El Burrito Foods Products. As Karatz explained, "From concept to store shelves, it took less than six months, It just went very quickly. People like helping us" (Hallock, 2011). The product was launched in February 2011 and as explained by a HBI press release "the launch of the salsa is part of the turnaround effort to make Homeboy Industries financially sustainable" (Homeboy Industries website, 2017).

As of January 2017, the tortilla strips and four types of salsa (mild and medium Pico de Gallo, Mango Peach, and Salsa Deliciosa) are been sold in Ralph's stores across Southern California and the UCLA campus market.

Homeboy Farmers' Markets

Homeboy bakery products are sold every week in more than 20 Farmers' Markets around LA, from Santa Monica to South Pasadena, Panorama City to Costa Mesa.

Aborted Social Enterprises

However, not all business ideas turned out to be sustainable or delivered the social impact that was expected. We present a brief description of some of the social enterprises that were started and closed down as well as some others business ideas that were explored.

Graffiti Removal Services

The rationale behind was a priori, very logical - since the gangs were creating this visual noise in the neighborhoods, *homies* could be in charge of cleaning it up. The city of Los Angeles paid initially for the services. In 2004, the revenues for this operation accounted for almost half a million. Unfortunately in June and August of 2004, two employees were killed by gangs while performing the cleaning, so the Removal Service was closed down due to security concerns.

Homeboy Plumbing

In the early 2000's Father Boyle approved and funded an idea presented by two brothers and that was to start a plumbing business. Not everyone supported the idea, especially some of the Board Members at that time. "We started Homeboy Plumbing. That didn't go so well. Who knew? People didn't want gang members

in their homes. I just didn’t see that coming” (Boyle, 2011). Eventually they decided to closed because it did not seem a good fit (Choi & Kiesner, 2007).

Homeboy Truck

Following the gourmet food truck craze that chef Roy Choi started in Los Angeles, HBI launched its own Homeboy Truck in the summer of 2014. This food truck served similar food items to Homegirl Café. Although the first food truck was able to achieve a break-even point, it only created three new jobs. They reviewed its potential to create scalable impact vs. effort required and since one truck only created three jobs, they decided to discontinue its operations.

> It, kind of, broke even. You can make it in a finance case, they broke even. But why we didn't pursue more food trucks was because it was limited employment opportunities. That the three people who worked that food truck, so you needed to get a whole another food truck to get three more. So, it was for the amount of effort, it wasn't enough employment. (Tom Vozzo)

Homeboy Barber Services

Lot of HBI’s clients learn to cut hair while they are serving their sentence in jail, so a *homie* named Richard (name disguised) proposed to open a Barbershop that would employ other *homies*. The financial analysis supported the idea; however, during this initial analysis they also learned that to become a licensed barber in California, a *homie* had to have 1,500 hours of training before he

could actually take the State Board of Barbering and Cosmetology exam; it would have taken 2 year for a *homie* to get the operating barber license and be able to work, so the idea was discarded.

Scaling and Growth

In this section, we distinguish between the scaling of the HBI holistic model itself and the social enterprises within our outisde the existing organization.

Father Boyle has been asked a few times if he would ever replicate the HBI model in any other cities. His answer has always been no, in an effort to avoid being the “McDonald’s of gang intervention programs” (Homeboy Industries website, 2017). So HBI’s scaling model is articulated around the “Global Homeboy Network” (GHN) started in 2014. This is a group of more than 85 partner organizations located in 60 different cities in the US and 19 other countries. The GHN mission is “to work with organizations across the globe to create therapeutic communities that offer job skills training, cost-free programs and services, and social enterprise employment” (Homeboy Industry website, 2017).

When it comes to the social enterprises expansion, HBI seems to be in a permanent state of experimentation and trial and error, although the focus is on those businesses that can create more training and permanent jobs opportunities for their clients.

In February 2017, HBI announced that it had acquired Isidore Electronics Recycling, a certified B-Corp for-profit social enterprise located in downtown

Los Angeles, funded by Kabira Stoke in 2011. The company has been rebranded as Homeboy Recycling Powered by Isidore. They offer responsible e-waste recycling, certified data destruction, re-selling services, and customized e-waste solutions for all types of business and institutions. The deal was financed entirely by donations and represents the first for-profit standalone subsidiary acquisition for HBI. This company will be another employer for graduates of the HBI Job Program and the annual profits will be reinvested in Homeboy Industries (Homeboy Industry website, 2017).

Other interesting scaling ideas are being explored as of January 2017. Among those is a network of Homeboy Cafés across Los Angeles that can be managed by HBI's trainees graduating from the program.

Father Boyle was diagnosed with leukemia in 2003, and questions were raised about HBI's future without his beloved and charismatic founder. "I'm not going to pretend I don't have this role in this place, but I'm not where I was 20 years ago, 10 years ago. I don't micromanage anything anymore, which is nice. The issue has gotten answered in a way that, I'll be honest, it wasn't true 10 years ago, but it is now." He also added, "Jesuits retire in the graveyard". (Lopez, 2014).

CHAPTER SIX: FINDINGS

Introduction

The purpose of this dissertation was to analyze the role of conflicting institutional logics in the development of earned income strategies in established nonprofit organizations, understood as a distinctive low hybrid context. As nonprofits engage in earned income strategies, a hybridization process (Battilana & Lee, 2014) kicks off that may or may not deliver the expected outcomes.

Our analysis of the cases in the sample allowed us to explore and confirm some of our premises and to unveil some relevant findings.

As explained in Chapter Four (Methodology), we followed an analytical process along five stages. After the write up of the case narratives (Chapter Five), our next analytical effort focused on confirming the presence of both logics in each organization by using a pattern matching technique (Reay and Jones, 2015), comparing information obtained in our data to the ideal types described in hybrid literature (Pache and Santos, 2013a; Battilana and Dorado, 2010). We followed with a cross-case analysis. We then highlighted the logic conflicts identified among across cases and followed with a model for the hybridization process and a set of emerging hybrid nonprofit types, based on inductive approach. We finished with an explanation of each of the three key findings, complemented with illustrative quotes from the informants in each organization. Specifically, we have organized this chapter along the following subsections:

- Premise One: Presence of both logics
- Premise Two: Presence of conflicts between logics
- Nonprofit Hybrids Typology
- Finding One: The role of the Mission
- Finding Two: The role of Micro-actors
- Finding Three: Nonprofit vs. Social Enterprise Performance

Premise One: Confirmed

All three cases presented evidence of the presence of both social and business logics.

One first analysis effort focused on confirming the presence or absence of both logics in the three organizations in our sample. This should not be understood as a finding but more as the validation that our initial assumption, which was that nonprofits engaged in EIS present competing logics, was correct.

Using a Pattern Matching technique, we first engaged with the data to "identify and explain the pattern of behaviors associated with the ideal type of a particular logic and then evaluate their data to determine how well it matches with the ideal type" (Reay and Jones, 2015; p.6).

As explained in the literature review, hybrid scholars have established the attributes and characteristics of both logics across key organizational dimensions. Through the works of Battilana and Lee, Dorado and Santos, and

others, we learned that hybrid organizations in general, and social enterprises in particular, exhibit attributes of different logics organized along these variables:

1. Goals: The primary organizational goals when driven by a social logic refer to fulfillment of the mission trough the delivery of programs, products, or services that address social needs in the populations of interest, called beneficiaries or clients in this logic. However, when driven by a commercial logic and already embedded in a broader societal market logic (Friedland & Alford, 1991), the ultimate goal is “selling products and services on the market to produce an economic surplus that can ultimately be legitimately appropriated by owners” (Pache & Santos, 2010b; p.980). All organizations in our study are nonprofit organizations; therefore, as a “*condition sine qua non*” to obtain this status, they all have already stated a social mission as their primary purpose in their Articles of Incorporation.

2. Organizational Forms: Dictated by the local regulatory context (the US, in our case), a social logic opts for a nonprofit structure, with a tax-exempt status, without stated owners; the business logic leans toward for-profit structures within the broad spectrum or forms available, incorporated and unincorporated businesses with clear lines of ownership and control (shareholders in a public company, partners in a partnership, sole proprietors, or members in a cooperative.)

3. Control/Governance: The legal organizational structure determines the governance structure that needs to be deployed. The social logic demands a democratic governance system where the decision-making considers the needs of different stakeholders. A volunteer Board of Directors is charged with the organizational leadership, governance, fundraising and civic reach. In a business-oriented logic, a for-profit structure pursuing efficiency and profit maximization demand a hierarchical control determined by the weight of each shareholder's position.

4. Professional Legitimacy: In a social logic, professional legitimacy is determined by the commitment to the organization's social mission, while in the business logic, technical and managerial expertise are the key drivers of that legitimacy.

In order to enrich our analysis, we expanded these key characteristics based on extant literature but also on our interviews with experts and field observations:

5. Human Resources: A business logic relies on paid staff and doesn't use volunteers to perform strategic and operational functions; a social logic often relies heavily on volunteers to the extreme that some nonprofit organizations could be described as run by volunteers only. Closely related to this characteristic, maximal monetary compensation for the employees is expected in the business logic, while collective social value creation is the primary driver of professionals operating within the social logic. (Weisbrod, 1998)

6. Leadership: Although there are exceptions to this generalization, through the analysis of the interviews it became clear that the archetypes of leadership could be established for each logic. In a context dominated by a social logic, the leader has to be able to converse and listen, as a horizontal structure demands. In a business logic with hierarchical structure and clear lines of ownership and control, leadership is predominantly transactional and the leader has the ultimate word, although we acknowledge that in a business context there are also different leadership styles.

7. Sources of Revenues: The social logic relies on grants and donations, so grant writing and fundraising are key organizational activities, whereas in the business logic customers, as the primary source of revenue, make the organization financially sustainable in the long run. Additionally, a business-driven logic could also rely on investors that demand a monetary return on their investment, on the contrary to the social logic, where donors demand maximizing the social value created.

8. Inter-organizational Relationships: Given the value creation goal, a social logic relies on collaborations across sectors vs. a business logic that engages in competitive relationships. These collaborations allow the third sector to compensate for some inherent limitation: lack of funding and power.

The following table summarizes the logics characteristics along those eight dimensions (four from literature and four added by us).

Table 6. 1: Comparison of Ideal Business and Social Logics (expanded)

LOGIC CHARACTERISTICS	BUSINESS LOGIC	SOCIAL LOGIC
1. GOALS	● Rational, self-interested quest for profit accumulation) ● Distribution of profit among shareholders ● Profits as the ultimate goal following efficiency principles (cost rationalization + profit maximization)	● Economically irrational, selfless pursuit of social good, concern for humankind. Address of social needs. ● Non-distribution constraints as the best approach to achieve social goals ● Profits as a means to an end
2. ORGANIZATIONAL FORM	● For-profit legal structure	● Nonprofit structure with tax-exempt status under US Internal Revenue Code 501(c)(3)
3. CONTROL / GOVERNANCE	● Hierarchical control ● Shareholders/Board	● Democratic control/representation and participation of local stakeholders ● Volunteer Board of Directors charged with organizational leadership
4. PROFESSIONAL LEGITIMACY	● Driven by managerial and technical expertise	● Driven by contribution to social mission
5. HUMAN RESOURCES	● Paid staff at market rate ● No use of volunteers	● Paid staff → “self-selection” hypothesis lower salaries than their for-profit sector counterparts. ● Key role of volunteers ● Volunteer-run organizations (unpaid staff)
6. LEADERSHIP	● Hierarchical ● Results-oriented ● Fulfilling fiduciary obligations toward the shareholders ● Leveraging financial incentives to manage personal	● Democratic/horizontal ● Consensus ● Motivation driven by monetary incentives
7. SOURCES OF INCOME	● Market-based income: fee for service or product	● Mostly grants and donations

	● Selling as a key organizational competency ● Value capture	● Fundraising as a key organizational competency ● Value creation
8. INTER-ORGANIZATIONAL RELATIONSHIPS	● Competition	● Collaboration

Source: authors' own draft based on interviews of NPO's leaders, Battilana and Dorado, 2010; Pache and Santos, 2013; Swedberg, 2005; Payton and Moody, 2008; Almandoz, 2010

Once we established these ideal types, we analyzed data for each case separately using a pattern matching technique (Reay and Jones, 2015), looking for evidence of these ideal types. We engaged first with individual case data to understand if and how each logic manifest in each organization. Then, we performed a cross-case analysis.

Case 1: Community Roots Garden

As described in Chapter 5, our first case, Community Roots Garden, is a small, mostly volunteer-run organization that it is technically a ministry of a Methodist church. The analysis of data confirmed a strong dominant social logic.

Organizational Goals: Informants from the organization highlighted the process by which their mission was drafted and approved by all the initial volunteers involved in the creation of the garden. “It [the Mission] was written in a way that the garden has evolved around the mission statement. I think that -- I think if the mission statement had been differently written, the garden would have evolved the same way. But I think that tied -- that was a summary of weeks of discussion” (Vern Novstrup). Initially, CRG’s main goal was to reduce food insecurity in the county, but over time their primary goal became to educate about healthy food growing and eating habits, still tied to the original Mission. Activities are evaluated against the mission that becomes the screening filter for their decision-making.

There are public references both in the website and in newspaper articles that connect the organization’s early development to some intrinsic attributes such as a dream being the initial spark and magic as the explanation for the

organizational survival. “This project has been a bit magical from the beginning. We honestly didn’t understand how it holds together since those of us involved can only give it partial time.” (Kallas, 2009)

Organizational Form: They are under the umbrella of 501(c)(3), the North Oxnard Methodist Church. This organizational arrangement was considered to be the most adequate given the size of CRG and the budget constraints. As a Church’s ministry, they are embodying a predominant social logic.

> That idea [incorporating as a separate nonprofit] was rejected very quickly because the -- by making it a mission of the church, it meant that the church had buy-in [...] We have a set of bylaws which attaches us to the church, and the church voted for our existence, which means we're an official ministry of the church. (Vern Novstrup)

Control and Governance: CRG has a board that supervises their operations. Board members are predominantly local retirees connected to the Church. Vern Novstrup, the Board’s Chair interviewed, became the “de facto” leader, as he was already involved with the church and understood how the Church’s hierarchy worked.

> It was, to a large extent, the touch point with the Church. So I knew what sort of things we could get away with and what things were going to be a major problem. And I knew the church hierarchy enough to know how to lock in and fit into the Church unit. And so I became one of the de facto leaders in the group because of that -- the relationship with the Church. (Vern Novstrup)

The decision-making process by which Community Roots Garden became a reality is also an indicator of the logic that drives it. The foundational meetings were open to the community, and it took months of dialogue among participants to achieve consensus on the mission and the type of community garden that they wanted to create (shared vs. assigned individual lots). It was a community effort with loose leadership.

> When there was so much importance of establishing relationship and culture with people that they would always do at the beginning of the meetings -- I forget what they called it, but basically each person would be asked to say something. And because you have 50, there were several meetings that we had that the introduction took two to three times more time than work we did. (Vern Novstrup)

This “slow” approach to decision-making, while participatory and potentially enhancing people’s involvement into the CRG, runs contrarian to a business logic that will demand to take the decision fast, as “time is money”.

Professional Legitimacy: As explained above, Vern Novstrup became the “de facto” leader. How he was selected was motivated by a social logic, as he was already committed first to the overall Church’s mission and second to the new garden’s mission; he wasn’t so much selected on pre-existing managerial and technical expertise (business logic). He also had established connections with the Church so that would facilitate the communication with their Church’s own leadership.

Human Resources: Community Roots Garden is a volunteer-run organization.

Initially, and with grant money, they were able to hire two full-time interns as community organizers for four months: the “American Recovery Act was trying to create jobs, they [VCCA] insisted on hiring two intern community organizers.” (Vern Nosvtrup). The interns were selected from a local partner, The Abundant Table, a sister organization that runs an Episcopal Service Corps internship program for young adults (ages 21 to 30). This approach to recruiting proved to be successful because these interns already had experience and a proven interest in working in agriculture. They were also aligned with the Methodist principles, since a spirit of intentional Christian living also drove The Abundant Table; “It's sort of a prescreening step.” (Vern Nosvtrup). Later in 2012, and also from the pool of The Abundant Table’s interns, they were able to hire Angela Schultz, a part-time Community Organizer that became a “jack of all trades”. Eventually, she was also assigned to coordinate Farmer for a Day, the social enterprise initiative under study: “I was able to continue on as the only part time paid staff” (Angela Schultz).

The hiring practices are informed for a social logic, since it the skills and characteristics that are sought after in the candidates related to their care for the mission and alignment with foundational Christian principles. When the individual performance goals were discussed, we learned that in the early days, they were loosely defined based on impact on clients and measure in magnitude of one:

> I said this to one of the community organizers we had, "We're going to spend about $xx [*disguised*] this year on you." Okay, I mean, and that

> was because we were hiring him full time. [..] You have to get through to one kid and keep one kid out of jail for six months to justify your existence. That's all you need to do. (Vern Novstrup)

Angela Schultz felt the burden and challenge of being the only one working for CRG. She has to work longer hours (“more than it was accounted for”) in an effort to keep the garden’s programs going. She felt morally supported by the Board but many times left alone to her own “devices”. Angela also recognized that sometimes she was not prepared for the required task. When asked about the CRG’s annual revenue, she replied, “I don’t know, off the top of my head. The financials are organized by the Board. Vern kind of handles most of that.” Angela recognized that sometimes her challenge was “not to know the right questions to ask, either.”

Leadership: Organizationally, CRG does not have the position of Executive Director. The Board, and more specifically the Chair of the Board, Vern, is the leader (an unpaid position). Angela Schultz, the Volunteer Coordinator, reports to Vern and the Board. As Vern’s words communicated CRG is a very horizontal and democratic organization – all characteristics of the ideal social logic.

> Even when we don't like each other, we have to like each other. You know, and when someone is doing something that's driving you nuts, you tend to have to, "Okay, let's figure this out." But it's not a hierarchy, that's a top-down structure. It kind of -- it sort of grows organic, and it's something I've not really seen very much of elsewhere. It's a warm and

caring culture that tends to encourage people. (Vern Novstrup)

As a volunteer himself Vern runs the Board meetings and coordinates the relationship with the Church's Board. From Angela's perspective, the leadership is supportive but not involved; "he hasn't been actively involved in the process [Farmer for a Day] recently but I know he is very supportive of the idea."

Sources of Income: A predominant social logic relies on grants and donations as the primary sources of income. CRG got off the ground with private donations from the general public and also with the help from the American Recovery Act's grant support. This grant allowed CRG to buy a rototiller and to build a main water connection with the Oxnard city system. Currently Angela's salary and other operating expenses (the water bill being the main one) are founded by ongoing private donations, fundraising events, and occasional support from the Church. Without that initial grant, CRG's creation would have been much more challenging. "So that [grant] kind of gets you to where, you know, we -- and we -- well, once we had the -- grant expired, then we saw the reason there. So then there was donations made, and we had ongoing donations that have continued to support that part-time person." (Vern Nosvtrup). A market-based solution, when there is an exchange of products of services for a fee, is characteristic of business logic. When CRG decided to introduce Farmer for a Day, a program that was going to charge customer for the delivery, the red flags appeared and logics tensions surfaced, as will be explained later.

Inter-organizational Relationships: The social logic manifests by seeking for

partnerships based on collaborations rather than competition (characteristic of the business logic). From the early days of the CRG, they have been able to start and nurture key relationships with other organizations in the public sector (Oxnard City, California State University Channel Islands, local School Districts, etc.) and the third sector (Community Action Ventura County, MICOP, The Abundant Table, etc.). None of these relationships are competitive; on the contrary, they are driven by a common vision for the creation of social justice in the county, under the principles of openness and inclusiveness. “We created a lot of these very socialistic cultural aspects, you know, like, well, at least every Saturday we have lunch, and everybody is welcome to lunch, you know. Not -- we don't care whether you work or not, just come for lunch. Also the idea of if you come, we will take time to teach you.” (Vern Novstrup)

The review of evidence in our data vs. the ideal types as described in the literature confirmed that CRG has a predominant social logic. This comes at no surprise. It is when the idea of the social enterprise Farmer for a Day started to take shape that organization had to deal with elements of the business logic and tensions started to surface.

Case 2: Habitat for Humanity Ventura County

Our second case is Habitat for Humanity Ventura County (HfHVC), an independent affiliate of Habitat for Humanity International. As explained in the descriptive case, the Board hired Steve Dwyer in 2013 as their new Executive Director. Steve Dwyer had 20 years of corporate experience with GE Finance in Asian countries and was interested in doing something different upon his return

to Southern California. HfHVC builds and repairs houses for families in need. It operates two second-hand stores selling donated furniture and construction materials, called ReStores, the earned income strategy under observation.

Our analysis revealed the presence of both logics, but unexpectedly we unveiled an organization in transition, driven by strategic and tactical changes enhanced by the new Executive Director. As it will be explained over the course of our analysis, HfHVC became a “revelatory case” (Eisenhardt & Graebner, 2007). Following the structure established in Table 6.1, we analyzed how both logics manifest along those dimensions:

Goals and Organizational Form: As a nonprofit organization, HfH is mission-driven. The programs are all aligned to enhance the delivery of the mission (social logic). The legal and tax-exempt status was purposely chosen to make the social goals explicit and public. Archival data analysis review that their long-term goals are quantified and specific: “complete 4 new houses per year”, “maintaining Preserve-a Home program serving >30 families per year”, and “serving 200 families by 2020”.

Control/Governance: A paid Executive Director supervises the day-to-day operations and jointly with the Board establishes strategic directions for the organization. When previous EDs have left the organization, a Board member has acted as Interim Executive Director. Since the new Executive Director, Steve Dwyer, joined the organization in 2013, his board development efforts have focused on diversifying the knowledge, connections, and experience of the new board members. The new board members bring (free) expertise in

critical areas for Habitat's mission-fulfillment: real estate, financials, and legal.

Professional Legitimacy: Traditionally, a social logic drives the professional legitimacy from the contribution to the social mission. When Steve took over, he introduced a professional legitimacy characteristic for business logic, therefore one driven by managerial and technical expertise. This forced him to let some employees go and allowed him to hire new staff members. The Board reacted favorably to Steve's first efforts:

> I think people were very happy because they were not getting good information, so for my background with Finance in GE, my first couple of Board meetings were, frankly, not real board meetings, they were business operating meetings with a lot of details explaining to them how we had some significant challenges with high cost. (Steve Dwyer)

Human Resources: There are 13 full-time and 20 part-time employees with mixed educational and professional backgrounds. Some of them have been with the organization for more than 10 years, but interestingly the two newest hires in senior positions have identities connected with each of the logics under analysis. Lisa Robinson, with a background in for-profit retail operations (big box and smaller retailers), deploys a very well defined business logic,

> My mission has really been to simultaneously try to change the mindset in the store for our customers as well as for our staff, this is not a thrift store. It's a discount home improvement store. And you can get very nice things here (Lisa Robinson).

The other new (as of January 2017) senior hire is Jill Shaffer, Director of Resource Development. Jill brings more than 20 years of leadership experience working for the Third sector in Ventura County. As discussed later, Steve's hiring practices are dominated by "efficiency" (as we see in business logic) as he matches the type of position with type of dominant logic in the new hires.

Leadership: Steve Dwyer is the first Executive Director since the organization was founded in 1988 that comes from a corporate background. He dedicated his first months in the organization to analyzing and understanding the financial situation of the organization. Applying a business logic made him realize that so many "not good [for] business type of decisions" had been made before and that required some tough decisions driven by effectiveness and efficiency, characteristics of business logic.

> And the first three months were, eye opening and within, because coming from the business world the first you do, you ask business questions, where is the financials, how do we make money and the facts. I have read all the literature and everything, and this is a fairly small/medium size Habitat affiliate. It became very evident to me, very quickly, that they were not doing so well. And so they made some very interesting, sort of not so good business type of decisions. And so within three months of starting, I had laid off half the staff, which is very small staff. Two of our full time people. And, I advised the Board that we may have some serious issues and the Board was very good. Many of them understood that they pretty much fell asleep for a year of two on some of

> their decisions. (Steve Dwyer)

His early understanding of the real financial situation of the company forced him to make hard decisions (business logic). He admits that in a social logic, people are nice to each other, but in business you have to have the right people to guarantee organizational survival:

> It is like churches, everyone is supposed to be nice to each other, but at the end of the day it was an easy decision and, just like any business, if you don't have the right people, doing the right things to make you successful, you are not going to last very long and it was that, it was pretty close to that. (Steve Dwyer)

Sources of Income: The initial sources of funding were donations and grants. The beneficiaries of the houses that Habitat builds contribute to the payment of the house by repaying a soft mortgage. Revenues from their social enterprise, the ReStores, started in 2000 and have grown steadily from $52,000 declared that fiscal year to $1M declared in FY 2014. The Simi store opened in April 2012, and although a financial analysis was done to evaluate its viability, the accepted understanding is that it wasn't a good decision due to the high rent. Steve joined in 2013 and quickly analyzed the financial situation of that store (business logic) and realized that some hard decisions needed to be made. Under Steve's direction, ReStore revenues are able to cover 100% of G&A and fundraising expenses each year. Steve's approach to ReStore contrasts with that of the previous Executive Director, who was told by the Board not to worry about the stores' operations. She eventually took control and found out the

numerous challenges of running that business as it was.

As explained later, it was Steve's vision for the ReStore that triggered the hybridization process.

> My goal was to make them [ReStores] much more critical and part of our overall business because when giving is a challenge, donations are a challenge, that's an easy source, that's a very real source of unrestricted revenue that you still ask for donations, but you ask them in a very different type of way. And people clearly are more than happy to have you pick up something from their home that you can resell to somebody else. So the challenge we had was to treat them more as a business, fix some of the operational challenges we had with the second store and make as much money as possible. So it really was a multistep process between fixing some of the store-specific challenges, which we were able to do partially. (Steve Dwyer)

Inter-organizational Relationships: Early Board Members and Executive Directors built relationships with local officials and other nonprofit and for-profit organizations. When the Great Recession hit in 2008, some of these partners became less reliable. Steve saw the need to rebuild those relationships while working at the same time on the construction pipeline to gain back the trust in the county. With the planning of the new development in Trinity Lane in Fillmore, that trust was regained and inter-organizational relations were restarted with government agencies, other nonprofits, churches, and corporations in the area. Although spirit of these relationships was of

collaboration (social logic), Steve's words reflect a business logic mindset in this effort: "That's a good example of how you try to target where to go find buckets of money*".* He was able to gradually rebuild the lost trust.

Case 3: Homeboy Industries

Homeboy Industries is gang-rehabilitation program located in downtown Los Angeles, California that facilitates an 18-month job-training program to their clients, ex-gang members and ex-convicts. In order to provide real training opportunities, they have created a number of social enterprises.

Goals and Organizational Form: As a 501(c)(3), they are a mission-driven organization. Father Boyle's vision and mission hasn't changed much since those early days in Mission Dolores in the mid-80's. To bring hope, job training, and support to ex-gang members through a healing process that includes a paid 18-month internship. Their social enterprises are enablers of this mission and not without tensions, as we will discuss in the next section. HBI operates as a single 501(c)(3) and the different social enterprises are operated as divisions within that organization. In February 2017, they announced the acquisition of Isidore Recycling, a certified B-corporation that they operate as a separate for-profit entity. An acquisition is more aligned with business logic.

Control/Governance: A strong, diversified, influential board provides strategic direction and connects HBI to the community (civic reach).

Professional Legitimacy: Father Boyle, HBI's founder, is a charismatic leader who is highly respected given his commitment to the social mission (social logic). When the organization hired Tom Vozzo as their first CEO, by selecting

that position name vs. the more traditional nonprofit Executive Director, they were signaling that his role was going to be driven by managerial and technical expertise (business logic).

Human Resources: Traditionally, HBI hiring practices had prioritized the sociability of individuals over the capabilities (social logic). A third of HBI staff comes from their pool of graduated trainees, including some managers in their social enterprises. When Tom took over his role, he introduced the idea that business performance was going to be a key aspect in managers' review (business logic). Additionally, HBI relays heavily on volunteers to run their free program offered to the trainees (social logic).

Leadership: Tom Vozzo had imprinted a strong corporate leadership identity (business logic), but he soon realized that being a leader in HBI required more collaboration and dialogue aiming to reach consensus (social logic):

Sources of Income: HBI has a diversified pool of income, some grants and donations traditional to the social logic and a solid portfolio of social enterprises that use market-based solutions, i.e. the sale of products or services (business logic). Tom's goal since he joined the organization has been to reduce dependency on grants and donations and raise the income generated by social enterprises to at least 50% of their annual income.

Inter-organizational relationships: Father Boyle's charisma won him early followers across all sectors. Government officials, corporations, and foundations became loyal supporters of HBI's mission. In that spirit of collaboration (social logic), HBI created the Global Partner Network in 2014 in which more than 80

nonprofit organizations shared and learned annually from the HBI model.

Our analysis confirmed the presence of both logics in our final case. The following table summarizes the presence or absence of logics - an x denotes the presence of that logic.

Table 6. 2: Cross-case Analysis[9]

	IDEAL TYPE	Community Root Gardens (CRG)	Habitat for Humanity - Ventura County (HfHVC)	Homeboy Industries (HBI)
GOALS	SOCIAL	x	x	x
	BUSINESS	No present	x	x
ORGANIZATIONAL FORM	SOCIAL	x	x	x
	BUSINESS	No present	No present	Developing a more complex organizational structure: they bought a for-profit B-Corp and they are exploring a franchising model for HBI Café expansion in Los Angeles
CONTROL / GOVERNANCE	SOCIAL	x	x	x
	BUSINESS		x Diversified Board	x Diversified Board
PROFESSIONAL LEGITIMACY	SOCIAL	x	x	x
	BUSINESS	No present	x	x
HUMAN RESOURCES	SOCIAL	Volunteer-run	x	x

[9] The letter x indicated the presence of that logic in each case

	BUSINESS	No present	x	x
LEADERSHIP	SOCIAL	x	No present	x
	BUSINESS	No present	x	x
SOURCES OF INCOME	SOCIAL	Donations Grants	Donations Grants	Donations Grants
	BUSINESS	No present	Earned Income Strategies	Earned Income Strategies
INTER-ORGANIZATION RELATIONSHIP	SOCIAL	x	x	x
	BUSINESS	No present	x	x

This pattern-matching effort confirms the presence of both logics in all three cases. However, as expected, there is dominance of the social logic in all three of them, derived of their founding organizational form. It is this fact that places these organizations in our targeted research locus. Having established the presence of the logics in these organizations, we focus our next effort on identifying and confirming the tensions among them.

Confirmed

As these nonprofit organizations engaged in earned income strategies, there is evidence that conflicts between social and business logics emerge.

Another important premise was the presence of conflicts between these two now-confirmed logics. Scholars have documented these tensions in hybrid organizations (Battilana and Dorado, 2010; Pache and Santos, 2013ab; (Teasdale et al., 2013) To facilitate our analysis, we have organized our analysis across Smith and Lewis' (2011) categorization:

1. Performing tensions

Performing tensions emerge from inconsistent goals and strategies. Not surprisingly, the data showed us that all three organizations depict strong organizational consensus, understanding the social mission as the overall unifying factor and determinant of their organizational form. To the question formulated by Pache and Santos, "What is the appropriate goal for an organization to pursue?" our cases, as nonprofits, have a primary social goal embedded in their organizational mission. As part of their Articles of

Incorporation filled with the Secretary of State, nonprofits have to make an explicit public declaration of their social mission. There is no question about their *raison d'etre,* but data revealed that the mission could be an enabler and a deterrent of the earned income strategy (discussed as Finding 1).

Even HfHVC's focus on the ReStores has been in standby, "stalled". Former ED Stacy Swanson was advised by the Board not to worry about the ReStores when she first joined in 2006. When Steve Dwyer joined in 2013, he analyzed the ReStores' potential and had to overcome the conflict between the board perception of the potential of the ReStores and his vision for it. As he explained, they "were treating them, in my opinion, as a side business, so my goal was to make them much more critical and part of our organization."

2. Organizing tensions

Organizing tensions derive from logics that mandate contradictory decisions surrounding structures, cultures, practices and processes (W. K. Smith & Lewis, 2011). Specifically:

Decision-making: A business mindset demands quick, hierarchical decisions, but leaders in HBI and HfH have learned to navigate this consensus-driven environment. Conflict emerged too at the decision-making process at tactic level when short-term views conflicted with a long-term view:

> A fair amount of donors want to invest in our businesses. And so, if they're going to give me $50,000 -- that's the example. I know at $50,000 we can probably employ four more Homeboy. For some part of the time.

> Or, should I hire a business development marketing person who can help grow our businesses? You know? And I'm always -- and I'm the one who faces that balance, right. And so, sometimes I'll put it to the businesses, sometimes I'll just keep it for the social program. But too often, I've noticed, I have tendency to keep it for the social program and not investing enough in the businesses. (Tom Vozzo)

Need for process and documentation: We observed similar patterns in both HBI and HfH where the need for clearly defined processes and roles and responsibilities, as demanded by commercial logic, wasn't in place when the current leadership joined. This created cultural frictions as their imprinted business logics clashed with a grassroots approach enacted by the dominant social logic.

> When you're talking about business and you look at a model like Habitat and that grassroots kind of, you know, up from within model. Oh, my gosh!, the record keeping, the missing documents, the lack of documents. […] It's so much work to try to get an affiliate, like Habitat, to be adhering to what most people would consider just common good business practices. (Stacy Swanson)

Staff-related decisions**:** Employees may have had their professional identity attached to the organizational identity mandated by the predominant social logic. Especially in the case of Homeboy Industries, when half of the management team is "homegrown talent" that had a clear sense of the social logic, the management is less familiar with the expertise traditionally associated

to business logic. As Tom Vozzo made those explicit requirements, some people left the organization.

> Some of the managers had business experience. Not many did in the businesses. They were all mission-focused. So, they didn't think about the top line, middle line, or bottom line. And so, when I came in, I said, "Look folks. We're not -- we're still going to do the mission. But managers need to do two things. You need to run your business like a business, and we also need it to be a training program." I said, "You need to be responsible for sales. You need to be responsible for cost of goods, responsible for the customer experience. I'm not going to make you responsible for the labor costs because that -- thankful we get donor support for that. But everything else on that P&L that gets the profit, you're responsible for." (Tom Vozzo)

As explained by HBI's CEO, the managers have to deal with some trainees' bad work habits, such as being late or even not showing up for work; these behaviors in a business logic driven context would have justified firing that underperforming employee. But these trainees are immersed in a healing process that requires time and patience. How are they better being prepared for the outside world: suffering the consequences and being fired or just being given a warning so they can learn?

> The tension we have is because we're so mission-focused -- and what we're trying to do is teach -- we're trying to have our businesses replicate real world situations, so that then when they get out into the real world

> and their supervisor, kind of, is a jerk sometimes, you can't lose it. You can't just pull off and slug the guy. You can't just walk off the job, right? We don't purposely do it this way, but there's that tension with the programs -- social program folks. Oh, you're working people too hard. Oh, you're asking too much. They can't handle it. And so, there's that tension between therapy and work, therapy and productivity. And there's no right and wrong. It all depends on where an individual stands in his or her own readiness. And that happens -- that tension happens each and every day. (Tom Vozzo)

Additionally, a low or minimum wage and lack of additional benefits limits the pool of candidates eligible for the jobs in these nonprofits. These issues lead to underprepared and inexperienced employees that, although socialized in the mission, may not be adequate to advance the organization forward.

Board level: Established board members could also be carriers of the traditional way to do things (social logic) even when it is not aligned with what the carriers of the business logic consider as the most effective way of doing things. Leaders shared their experiences, trying to align board members with business logic thinking. Stacy Swanson, HfHVC's former Executive Director, mentioned,

> That was always another battle I had, forcing the board to accurately value the house. It's, like, okay, so just because we got the roofing materials donated, doesn't mean that we should not include that in the actual cost of this house. Because it's not realistic, you know. We can't say oh, well, this house only cost us $175,000 to build. Yeah, it was a

donation, but it's not realistic.

She shared her frustration about the Board being relaying too much on “God’s will”. From a managerial perspective, this generated critical organizing tensions that leaders have to learn to navigate. “There were a good number of board members who really, truly left any business acumen they had at the door. And we would be grappling with a difficult decision and they would just say, well, you know, God will take care of this.”

Volunteers: Managing volunteers requires navigating the tensions between both logics. Volunteers are critical for the survival of nonprofit organizations, especially for those run mostly by volunteers, such as the case of CRG, but recruiting, training and coordinating them is a balancing act. From Habitat, we learned, “Volunteers? They weren’t always reliable.” Traditionally, this volunteer “unreliability” was taken for granted by a social logic (“that’s how volunteers are”), but Habitat has been embedding a business logic that professionalized the volunteers’ commitment, activities, training and communication with a dedicated manager that joined the organization in 2014 “because the challenge is always that you rely on that help, but, you know, they're volunteers. So if they have something else to do or they decide they don't want to do it anymore, they're gone” (Lisa Robinson, Habitat). Especially in the case of Habitat’s volunteers who are building houses (they are called internally the “Wednesday crew”), that requires a higher degree of preparation and reliability.

> When I got there, they actually needed to hire a construction manager, they didn't have one. And they have these wonderful volunteers. I don't

> know if you met any of the Wednesday crew, but they're great. But you can't have volunteers leading a -- both from a liable standpoint, and then also, just accountability. A volunteer, they can leave whenever they want and go on vacation and there's nothing you can do about it. (Stacy Swanson)

Regarding the social enterprises' organizing, there was manifestation of tensions on:

Pricing strategies: In the early ReStore days, previous managers preferred not to price the merchandise on the floor, as their expectation was to bargain with the interested customer. Steve and Lisa recognized early on that "that's not a good way to run a business." This approach is seen as unprofessional and created tensions between managers. Even Lisa recognized the challenge of pricing in this environment vs. for-profit pricing: "it's a little bit of an art rather than a science […] it's a little bit of a guessing game sometimes," but demands prescribed by business logic reject the idea of bargaining that was understood as appropriate (social logic).

> Part of the other problem was, though, that the previous manager did not price things. You could come in and bargain with him, and that really didn't work too well. […] And also like I [as a customer] would come into the store and expect the price to be whatever it said it was. And he didn't price things. And it was kind of like what would you give me for it. (Nancy Stehel)

Store atmospherics and retail space design: ReStore's identity was similar to

that of thrift stores, so there were little expectations on the manager's side on how the retail space had to look like; this “social logic” approach to retail conflicted with customers’ expectation of how professional a retail space should look like, even if it was a secondhand store.

Store locations: The discussions around a third retail space surfaced some new tensions; a business logic demands to pick the best location base on your target market, however a social logic has to compromise and get what’s available within their budget.

> Unlike Lowes or Home Depot, they all strategize where they want the store to be, but they are going to build their store, they don’t just move into someone's space. We, every ReStore is a little bit different in part, because they bought a building or move into a building that was available and you get the best available. (Lisa Robinson)

A final external tension with the mother organization, Habitat for Humanity International, was identified. HfH International requested its affiliates to contribute with a fee per store based on the population served in the geographical area. Driven by business logic, Steve requested HfH International to explain the value proposition and refused to pay this contribution.

3. Belonging tensions

Belonging tensions reflect tensions of identity. CRG’s leadership approach generated belonging tensions as their leaders struggled to clarify goals and purposes for their social enterprise, Farmer for a Day.

> I think the place where I had the reluctance in it was that it's intended to become an income-producer. That was kind of an unnatural idea to me, because the nature of the garden is not to be an income-producer. It's to provide these services. […] But one has, in my mind, a certain sense of purity to it, and the other one has a certain sense of impurity, or there's something wrong with this. (Vern Novstrup)

In the other two cases, Tom Vozzo and Steve Dwyer, as current leaders, embody clear business prescriptions that lead to the emergence of personal conflicts in terms of time, dedication, level of commitment, and responsibility that running a nonprofit requires. Steve had to make hard decisions based on their business logic identity. “I was coached by my wife to just ‘don’t go and do the GE thing’. And that was a personal conflict, but I got over that.” However, his conviction about the right course of action to guarantee the organization’s survival helped him to make the hard decisions, and eventually he turned the organization around.

As they discovered what it takes to be a leader of a socially oriented organization, they experienced contradictions:

> It's very frustrating and stressful to be a nonprofit executive, it's very fulfilling work. (Stacy Swanson)

> It is a job that carries into your personal time even more than in the corporate world, because I am always been asked to go a church and give a talk; I asked to go to everybody’s else fundraisers and Board meetings at night and Saturdays at the job site. […] That’s also a

challenge, coming from the corporate world still is just running a business but it requires, to me anyway, to be a little more personally invested. (Steve Dwyer)

4. Learning tensions

Learning tensions developed as organizations "strive for growth and flexibility over the long term" (W. K. Smith, Gonin, & Besharov, 2013)p.11). These tensions revolve around growth and scalability, and resolving these are the acts that are allowing the organization to grow. CRG sees the social enterprise as a potential mission drift enabler. Habitat's leader explains, "to grow you have to invest" (Steve Dwyer). These are very different interpretations of the impact of social enterprises.

Table 6. 3: Summary of Evidence of Conflicts

	EVIDENCE OF CONFLICTS	
1. Performing	• Mission-driven but leader expressed that *"Loving the mission isn't enough."* • Social enterprise perceived as an *"impure"* income generator • Decision can't be made hierarchically, *"you need to get into peoples' mind."*	
2. Organizing	Process & Structures R&R	• Grassroots informal efforts → lack or record keeping → missing documents → against common good business practices • Need for documentation, process and clear R&R
	Board	• God will provide mindset → *"God will take care of this"* to what leaders replied *"God is taking care of this by giving us brains to make a decision*"
	Staff	• Unprepared, underpaid, part-time staff • Good, nice people have to stay (*social* logic*)* vs. only effective people have to stay (*business* logic) • Leaders struggled to apply business mindset: *"For some reason you feel a little more guilty that do in the corporate world but you have to do it."*
	Volunteers	• Risky to work with volunteers • "*How do you ensure that you're showing a great amount of value?" [if you work with volunteers."* (CRG) • *"They are wonderful people …but we don't get a big depth of experience usually."* (HfH) • Limited liability and accountability
3. Belonging	• Strong social identity → "This is how we do things, you know."	

4. Learning	• Leaders can't resolve the tensions and learn. "I had the reluctance in it was that it's intended to become an income-producer. [Farmer for a Day, the social enterprise] has a certain sense of impurity, or there's something wrong with this"

Source: authors' own draft

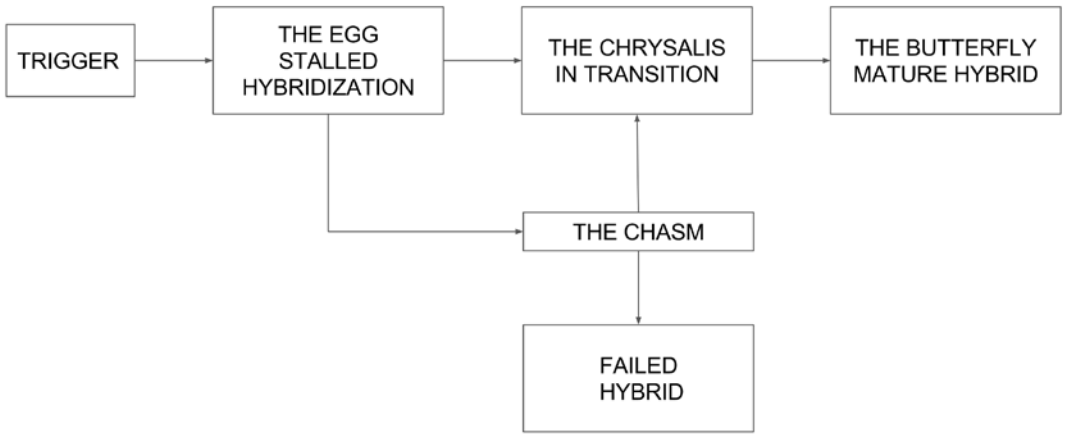
Tracey and Philips (20011) wrote "conflict is a central characteristic of social enterprises". This is not different for social enterprises started by nonprofit organizations. However, we are interested in understanding how those tensions are resolved in this specific context.

Nonprofit Hybrid Typology

As nonprofits deal with these tensions, a typology of nonprofit hybrids unveils.

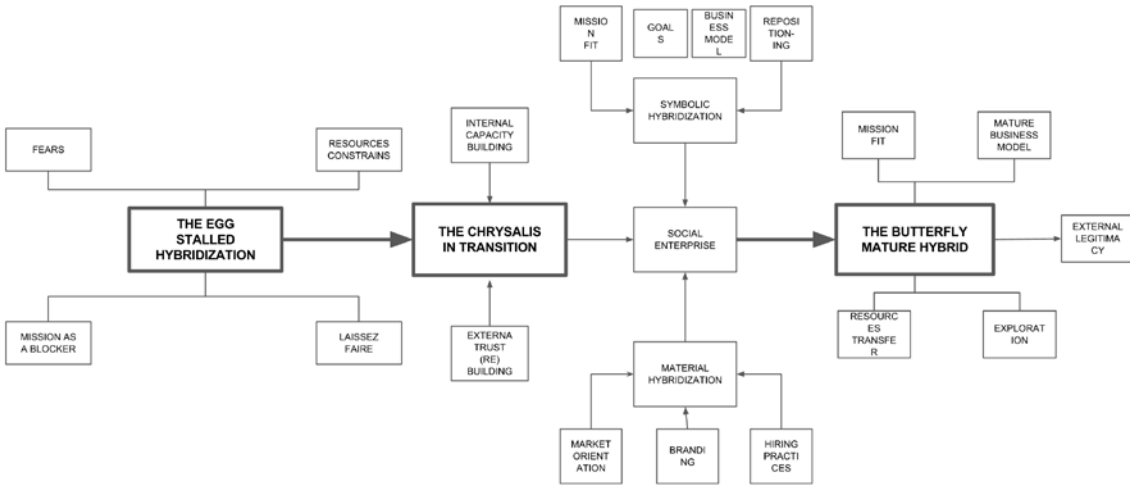
As explained in our Methods chapter, our sampling rationale was based in a priory discriminating variable: the level of development of the social enterprise(s) in each organization. However, we didn't anticipate that these cases were going to help us unveil a staged process of hybridization and a new typology of nonprofit hybrids. The next figure illustrates the hazardous path toward hybridization. This path guided our discovery of the three nonprofit types.

Figure 6. 1: Hazardous Path Toward Hybridization



The hazardous path toward hybridization starts when an established nonprofit embarks on the implementation of earned income strategies. The opportunity identification could be triggered by exogenous factors (as suggested by external stakeholders in the Community Roots Garden case) or endogenous as in the case of Habitat (Board member's suggestion) or Homeboy Industries (Father Boyle's early realization with Jobs for a Future). As nonprofits, they are dominated by a central *social* logic, but as they start developing new areas of activity and adopting commercial practices from a *business* logic, the process sparks a conscious or unconscious "hybrid organizing" effort, understood as the "activities, structures, processes, and meaning by which organizations make sense of combine multiple aspects of multiple organizations form" (Battillana and Lee, 2014, p.403). The next graphic summarizes the hybrid typology that is explained in detail in the following sections.

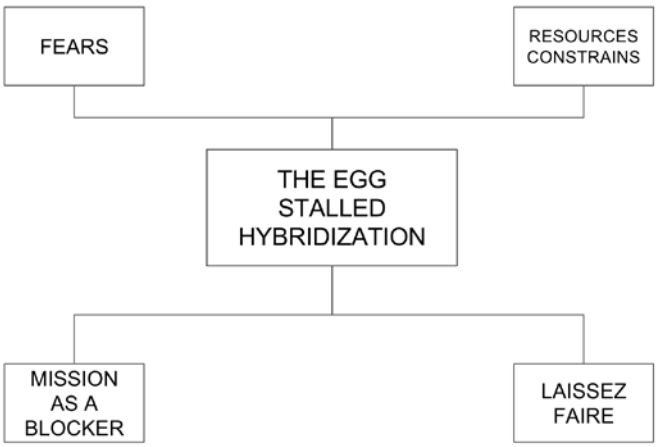
Figure 6. 2: Theoretical Hybridization Model & Nonprofit Hybrid Typology



Type 1: The Egg: Stalled Hybrid

Our first type describes those nonprofits that have started the process, but the social enterprise project lingers or “stalls” without an explicit final resolution about the project advancing or not. Eventually, this typology can evolve into a “failed” hybrid when there is consensual decision at Board level that the social enterprise needs to be discontinued. We have called this type the “Egg,” as the social enterprise is in embryonic stage.

Figure 6. 3: The Egg: Stalled Hybridization



In Community Roots Garden, we have witnessed a persistence of a dominant social logic and unresolved tensions. There was awareness among informants that in order to move the social enterprise forward, they needed to adapt some elements of business logic and practices from the commercial field: “I'm just saying, did we ever really stop and think about what the right market was?” (Vern Novstrup). As a revelatory insight, the **mission acted as a barrier** for the social enterprise development and the logics were understood as incompatible.

> I think the place where I had the reluctance in it was that it's intended to become an income-producer. That was kind of an unnatural idea to me, because the nature of the garden is not to be an income-producer. It's to provide these services. And so then you have to decide, do I want to be providing these services for the sake of providing these services, or do I want to be providing these services for the sake of surviving? And it could be the very same services. But one has, in my mind, a certain

> sense of purity to it, and the other one has a certain sense of impurity, or there's something wrong with this. […] When you start paying -- asking someone to pay money for it, somehow that restricts it or changes the character. And that's my problem. (Vern Novstrup)

The organization's leadership manifested a strong dominant social logic that was also present in his professional career. The leader made reference to the mindset in his public office job and resisted the idea of asking for a fee:

> I work for the United States Navy. You know, our job is to provide sea power through the world. But we don't charge for that. Inherently, ours is mission-oriented, not income-oriented […] You know, as a former boss of mine said: When the cruiser pulls up beside the oiler, nobody sends over a bill saying, "Can you pay for the oil we're about to give you?" And an oiler is an oil tanker that provides fuel to the destroyer that's underway or the ship that's underway. When you start paying -- asking someone to pay money for it, somehow that restricts it or changes the character. (Vern Novstrup)

The leaders in the Egg surface as "protectors" of the dominant logic and question any alternative way of doing things. They couldn't articulate any mechanism to integrate the conflicting logics and opted for a rejection of the element associated to the business one.

There wasn't a vision for the earned income strategy (Angela couldn't explain what FFD's annual goal was), and through some contradictions, we learned that there wasn't even a clear understanding of the project's goal. To our surprise,

CRG’s leader expressed, “If you build a model, then that allows you to move your core mission forward without having to, well, for lack of a better phrase, going and begging for money in a world [with a] finite amount of money they can give, that's great.” He also expressed concerns about the potential lack of value and dubious quality of the Farmer for a Day workshop, thinking that it was going to be run by volunteers (vs. paid staff):

> I think probably the biggest fear that I've always had with Farmer for a Day is if I have volunteers, I say, "Come out and spend the day." Even if they did a small portion of the day, the value added, I've imparted something to them, and they've gotten value for their time. If they come out and spend the day, then there's reasonably on their part an expectation to see a great amount of value. And how do you ensure that you're showing a great amount of value?. (Vern Novstrup)

A very hands-off leadership style also deterred the process: “So I don't think that was ever really established, because then nobody really could take the flag and move it forward” (Fern Perusse-Filzen). The project wasn’t formally stopped or interrupted. The Board Chair explained, “I took the position that I want to be supportive of this. I will be supportive of this. And I don't have to understand it to be supportive. That's not my job. My job is to try to move the garden to do things that are useful for the community. And if this is something that's useful for the community, we should at least give it a try.” This **laissez-faire attitude** led to inaction. The external respondent also pointed to a lack of clear decision process and accountability as well as lack of concrete chain of command and

responsibilities:

> I'm not sure there was a clear understanding of how those entities [Church, CRG and FFD] were supposed to support each other. If it was Community Roots Garden's responsibility, then…who? And Community Roots Garden would have been responsible for those same things, employing Angela to run the program but make sure all the other things, the finances were in place, the marketing, the promotion was in place, all of those things. So that was never really well established. (Fern Perusse-Filzen)

Lack of resources surfaced as another dominant reason and the nonprofit wasn't able to transfer resources from other stakeholders (as they have done for the creation of the garden itself with grants) in order to overcome the lack of training and experience in the business logic. Vern acknowledged their resource constraints: "What's the bandwidth of doing this? What's the bandwidth of not doing this? You know, if I run this program, what other program do I lose? What other, you know, resource am I giving up?"

The only employee (part time), Angela Schultz, FFD's Project Manager, recognized her lack of business knowledge and her challenges about even formulating the right questions:

> He [insurance agent] wanted to know what the goal for the annual revenue would be. And I said I haven't thought of that, and he said you have to have a goal so you can work toward it, for Farmer for a Day. And I said, "I thought completely the other way, so I thought well the garden's

> capacity is probably 3 groups a month so how much money would I make if I have 3 groups in a month". It is not a monetary base, it is a resource base. (Angela Schultz).

Fears also emerged as a major theme. Specifically, fear of failure:

> So they [customers] call us up and say, "We'd like to do a day." And they come out, […] and they kind of see some value. If they didn't pay for it, that's great. They got something, and they didn't pay for it. On the other hand, if they come out, and they spend $5 or $600, and they don't feel they get a value added, then you've not done your service. (Vern Novstrup)

Probably the most important barrier was the fear of mission drift and potential shift in organizational priorities. In the interviews, Vern Novstrup struggled to define the goals of the EIS and they shared some fundamental philosophical issues about the idea of making money. The mission emerged as a barrier to implementation of earned income strategy, and as a nonprofit they were indeed averse to commercial activity:

> We have a core mission and a core function. And I will go back to that mission statement just because I can retreat to that. […] And I think that's about as close to my feelings as you can get. If it furthers that mission statement, it's a good idea, whether it's paid for or not. Paid for makes it that much easier." (Vern Novstrup)

The Egg organization focuses on established knowledge (Ireland & Webb,

2009) and a commitment to the mission that results on defiance of the business logic (Oliver, 1997).

Type 2: The Chrysalis: Ongoing Hybridization

Unexpectedly, the second case in our sample emerged from the data as a "revelatory case" (Eisenhardt & Graebner, 2007). As part of our initial sampling rationale, we selected Habitat assuming that, since it has been in operation since 1999, the ReStore social enterprise concept was well established within the organization. However, as we started to gather and triangulate the data, it became more and more evident that we were witnessing an organization "in transition", a process that started when the new Executive Director Steve Dywer joined in 2013. This presented us with a unique research setting to enrich our understanding of the hybridization process. We label this second stage as the Chrysalis, since it is an ongoing transformation.

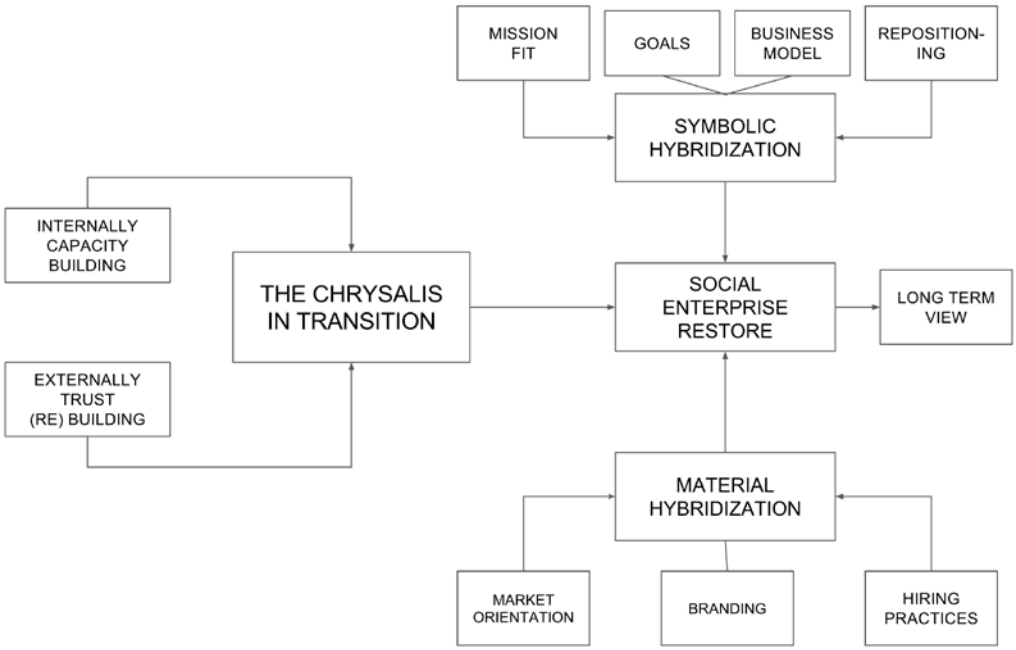
Back in 2013, Steve thought he was joining an established organization with some traditional existing operational challenges, but he quickly realized that they were some structural issues that could compromise the organization's survival. His first assessment allowed him to identify multiple flaws that required making hard decisions. Although he acknowledged the importance of organizational mission as the unifying factor, he seemed to be dismissive of the social logic *"modus operandi".* He experienced early conflicts but, driven by a business logic imprinted in Steve during his long tenure with General Electric in Asia, he made hard decisions that he described as "just like any business". He first established some quick wins that allowed him to gain credibility both

internally and externally. He acted with defiance, i.e., with an explicit rejection of some the demands imposed by the social logic. For instance, he refused to keep anyone on the payroll that wasn't properly performing his/her job:

> It is like churches, everyone is supposed to be nice to each other, but at the end of the day it was an easy decision and, just like any business, if you don't have the right people, doing the right things to make you successful, you are not going to last very long and it was that, it was pretty close to that. If we don't make some decisions here pretty quickly we are not going to be around in 10 months… and that was my job, changed significantly from the job I thought I was taking which was to run and organization. (Steve Dwyer)

The next figure shows the key themes that emerge in this typology, distinguishing between organizational-related hybridization activities and the ones related to their existing social enterprise, the ReStore.

Figure 6. 4: The Chrysalis: Ongoing Hybridization



At organizational level there were two dominating themes, one internal and one external:

1. Internal: Capacity Building and Professionalization

Board: Before hiring Steve, The board of directors had an intuition about what type of skills they needed in the new Executive Director to be able to successfully move the organization forward:

> The Board knew that when they were hiring for this position, they needed somebody with more of a business background than just a nonprofit or church background or something like that. […] Frankly, I had nothing, I had no connections in Ventura County, I had been gone for 25 years [...], I wouldn't add no value other than my interest and business background. (Steve Dwyer)

Once Steve joined, he started to identify gaps in the existing Board's skillset. Back in 2013, the existing board was embedded in a social logic as portrayed by the previous Executive Director: "There were a good number of board members who really, truly left any business acumen they had at the door. And we would be grappling with a difficult decision and they would just say, well, you know, God will take care of this." Steve started a board hybridizing effort by recruiting new board members that embodied market logic. He used a "Trojan horse" approach (Pache & Santos, 2013b).

> I also felt that I needed to quickly find some new members to the Board because it is hard to change people's mindset especially when it is a social activity. Some of our board members have been in and around the organization for up to 15 years. (Steve Dwyer)

This allowed him to diversify the skill set without having to pay for it: "I see now the Board just extend our reach, but… also some of them bring very important skill sets that I could never afford." The new Board also has a better understanding of the significant role that ReStores could play in the health of the organization's finances "The Board has now a much better understanding how critical it [ReStore] is to us, absolutely. That's very evident to the Board now." In Steve's own words, the Board evolved "from challenge to enjoyment". His hybridization efforts were starting to pay off.

Staff: When he first joined, Steve resisted a social logic that would have advised him to keep some of the long-term employees even if their productivity was questionable. "Being good people isn't enough. You need strategic thinking,

instead of having two ReStore managers who are good people but they are not people who are going to strategize how to manage a store". (Steve Dwyer)

Through his **hiring practices,** Steve was able to achieve a creative hybridization by bringing candidates that had capabilities, that were able to work collaboratively, and who became carriers of different institutional logics' imprinted in their previous jobs. For instance, he hired Lisa Robinson as Director of ReStores with more than 20 years of for-profit retail experience, or Jill Shaffer as Development Director with extensive experience in the Third Sector. For the Marketing function, he hired Rachel McIver first as a Program Coordinator; she was promoted to Programs and Communication Manager in one year, and a year later in Sept 2016 she was appointed Director of Marketing and Communications. He was also able to promote homegrown talent with personnel that had been in the organization for a while but had not been given opportunities for professional growth and development. Current Finance Director, Sylvia Walke, started as a part-time bookkeeper and was promoted and hired full-time in June 2016. On the construction side, Steve identified an additional challenge. The construction manager needed to know not only how to build houses, but more importantly, how to build them with volunteers. Eventually, Steve was able to hire a Construction Site Supervisor that had both capabilities. Hiring practices became an important component of the hybridization at the organizational level. Steve favored candidates' capabilities and fit for the job.

His approach challenges some of the existing literature that stays that zero prior

experience with logic is a prerequisite for successful blended hybridization. (Battilana & Dorado, 2010)

Volunteers: Steve also quickly learned the importance of the role of volunteers for the organization, but he also understood the challenges (“our volunteers are building houses”), so he aimed to professionalize the processes related to volunteers (recruiting, training and coordinating assignments) by hiring a new Volunteer Coordinator, Tricia Keen, with an extended nonprofit background.

2. External: Rebuilding trust on the Habitat brand

Steve was also able to gain some quick external wins, such as starting some construction projects, that proved that the organization still had the capacity to build in order to rebuild trust with key community stakeholders (mainly government agencies, major donors, and corporations). He expanded and leveraged the Repair a Home program, allowing Habitat not only to help more families in need but also creating more publicity opportunities in an affordable way that contributed to the increasing positive brand image that all these changes were generating. The number of home repairs has increased steadily since then.

Externally, Steve enhanced the existing fundraising events (Hearts & Hammers, Habitat to the Max) and created some new significant fundraising opportunities (She Nailed it, Playhouse Building Day). In tandem, he was able to nurture long-term corporate relationships such as with Thrivent Financials, their biggest donor.

Habitat's Social Enterprise: ReStore

The ongoing hybridization of the social enterprise deserves special attention. ReStore operations owed their existence to the initiative of two Board members and a certain degree of serendipity ("somebody wanted to donate a hot tub. […] I thought, God, we should be able to sell stuff like that" - Nancy Stehel). Similar to Community Roots Garden, early on they leverage some resources from government in the shape of grants and with some dedicated volunteers to be able to get the first store open; however, this approach led to a slow growth under the tenure of previous Executive Directors. Between 1997 and 2013, the ReStores seemed to have remained in the Egg stage ("stalled hybridization") with activities defined in conformity with institutional ideas prescribed by a social logic of what a thrift store run by a nonprofit had to look like. For many years, the board remained cautious, driven by *social* logic inertia; similar to some characteristics seen in in the "Egg" type, the board wasn't rejecting or closing the ReStores, but they didn't provide the support or attention needed. Even when Stacy Swanson, Executive Director from 2006 and 2012, first joined the organization, she was told by the board that the ReStores weren't a priority and not to pay attention to them. However, when Steve joined in 2013, the "stalled hybridization" of the social enterprise started to advance. We have divided our analysis into *conceptual* and *material* hybridization. A number of key themes emerged.

1. Symbolic (conceptual) hybridization

Steve brought clarity of purpose to the ReStores; he saw its potential to

contribute to the bottom line and took strategic and tactical actions.

Mission Fit: the ReStore is an example of *external* social enterprise as defined by Alter (2007), since the sales of second hand merchandising is not connected to the primary mission of "providing homes and build community". Despite this *a priori* "unrelatedness" to the core mission, through key respondents' narratives we sensed a willingness to make the stores fit with the mission, approaching the model of *integrated* social enterprise in order to bring legitimacy to it. By redefining the explicit fit and connection between the mission and the social enterprise, Steve was dissipating the fear of mission drift. They have purposefully narrowed the type of donated products to only those conceptually connected to either home construction or improvement, purposely staying away from reselling clothing or food (like other nonprofits such as Goodwill or the Salvation Army do). The respondents also highlighted the contribution of the ReStores to the mission: "What we do is an important driver of the overall mission of Habitat for Humanity." (Lisa Robinson)

Goals: Steve showed a clear understanding of the potential for the ReStores to contribute to the bottom line and move their importance from the periphery to the core of their activities.

> We were treating them, in my opinion, as a side business, so my goal was to make them much more critical and part of our overall business because when giving is a challenge, donations are a challenge, that's an easy source, that's a very real source of unrestricted revenue that you still ask for donations, but you ask them in a very different type of way.

(Steve Dwyer)

Steve also established very clear goals and metrics: “I would think it is reasonable that in 2-3 years we could be generating 50% of our unrestricted revenues from the ReStores.”

Business Model: Using business terminology, Steve clearly defined the ReStore business model: “[...] the interesting thing about our model is that when someone is donating you all of your inventory, your leverage from sale is very high. So once you cover your cost, the more you sell becomes profit, so it is a beautiful thing.” He also understood the need that to improve sales, the organization needed to spend on improvements (*business* logic). In this spirit, he was able to convince the Board to hire an experienced manager with a strong for-profit retail background, Lisa Robinson.

Symbolic repositioning: The description of the stores in public communications evolved from a “*thrift store”* to a *“home improvement resale outlet”* to a *“discount home improvement store”*. This iteration of the ReStore description was a conscious decision to elevate the customers’ and donors’ perceptions of the ReStore brand. However, the wording “social enterprise” hasn’t been used yet, as some other Habitat affiliates are openly doing (see, for instance, the Habitat for Humanity Los Angeles affiliate). They haven’t yet experienced external institutional pressures to gain legitimacy by using that wording. Additionally, in his communication with the media and donors, Steve has modified the narrative surrounding the ReStore from "The stores are a key part of HfHVC’s mission in terms of our ability to fund our projects […] to expand our name and our

mission" (Ventura County Start, 2013) to a more concrete explanation of the contribution of the ReStores' profit to cover the organizational overhead. As Steve Dwyer explained to donors in one of their fundraising events: "If you support us tonight I want you to know that the ReStores are covering all of the administrative cost so your donation goes 100% to home construction […]. We have tried to tide it that way." In contrast to this proactive and dynamic activity surrounding the social enterprise, the previous Executive Director expressed that she didn't believe in the ReStore concept and she perceived it as a distraction from the main mission; "It was, like, this massive distraction from our mission, right?" (Stacy Swanson).

2. Material Hybridization

The key distinctive characteristic of this ongoing hybridization commanded by Steve is that he was able to materialize that potential and navigate between the *symbolic* hybridization at a conceptual level to the *operational* hybridization at the tactical execution level. This led to what we have labeled as "material hybridization". Concrete evidence of this material hybridization in action was the creation of a new Directorship position to oversee the strategic direction of the social enterprise as well as the day-to-day operations of both ReStores. Lisa Robinson was able to transform the symbolic hybridization, as envisioned by Steve and the Board, into a material hybridization along several dimensions.

Branding: The branding in each of the store was inconsistent, so customers wouldn't realize that they were shopping in a Habitat-related store. Changes were introduced in the Oxnard store first. Each of the two trucks used to pick up

donations were also properly branded with Habitat and ReStores information.

The new market orientation is now reflected in the retail space and atmospherics: Lisa brought a costumer-centric mindset and redesigned the stores' layout**.** She moved away from their existing approach to retail spaces, under a dominating social logic, **"**Whenever we got something nice, we would just shove it out in the front". She created a new approach that brought consumer behavior principles into stores:

> You have to understand the psychology of a shopper. And if you present it in a way that's appealing and that somebody can see it in their home, you're more likely to sell it. And if you merchandise it, that is don't just throw a sofa out there, but a rug and a table and a lamp, they might buy the whole thing because they like the way you've put it together. (Lisa Robinson)

Donations: When it came to the donations accepted, Lisa pushed for a new mentality that filters and rejects some donations based on quality: we had "[...] to be choosier about what we put out on the floor, what we accept, because, again, that mentality of, well, somebody will buy it and I'm like, yes, but it's taking up space and you might not make a lot of money for it." A *business* logic understands the relationship between the cost of the space, the quality of the donation, and the inventory turnover to maximize profitability. This market orientation materialized in a new set of Donations Guidelines made public in 2016. However, this selective approach to donations has brought a new set of tensions, given the furniture donors' expectations:

> We are getting our new sofa on Saturday. So I was hoping they could get it then. [...] It was a kind of funny when I was talking to them. They were really picky about the couch, we can't have stains, we can't have any blemishes, etc. It's like they want you to donate a brand-new couch [...] Pretty good deal for them. An infinite profit margin. I am in the wrong f**** business. (Furniture donor – Anonymous)

Similar to the transformation at organizational level, *hiring practices* also were fine tuned to be able to attract talent.

Staff: Once Steve understood the ReStores' potential, he dealt with operational challenges within each store by hiring a new manager for the second store: "the first thing I did, it costed us a little bit, but you have to invest, but I told, she went back to be the store manager for Oxnard and we hired a specific store manager for that Simi Valley store."

Volunteers: Lisa has also worked to train a consistent, reliable base of regular volunteers to help in the store. This has been a traditional challenge, as Habitat has been able to attract volunteers to help in the constructions of the houses but not so much to volunteer in the stores.

The following table expands the evolution of the manifestation of both logics along the hybridization process

Table 6. 4: Ongoing Hybridization - Key Points & Quotes

LOGIC MANIFESTATIONS	SOCIAL	BUSINESS
	"THRIFT STORE MINDSET"	**"A DISCOUNT HOME IMPROVEMENT STORE"**
Social Enterprise Goals	"To cover cost and 'hopefully' to raise some extra money."	"To cover overhead so all donations can go to fund homebuilding." "To raise Habitat brand awareness in the county."
Governance / Decision Making	Board didn't see ReStore as a priority Board recognized some bad decisions: "We were not the right people. And we made a big mistake [with Simi location]. We got too big a facility for what we could support."	"To grow you have to invest"
Management	Understaffed: "Wendy was trying to do both (managing both stores), yes. It really didn't work."	New Director – business background New Store manager: "a little more in line with our vision for what we wanted the store to be." "I think… the management is more professional."
Staff	High turnover - store personnel and truck drivers. "We pay minimum wage and most of them are part time because then we don't have to do benefits. So there's some terrific people, really terrific people, but we don't get a big depth of experience usually."	Lower turnover "We are tying to come out with some creative hiring practices."
Volunteers	Described as unreliable "They are reluctant to help in a retail space." "When people volunteer, they don't think about stores." "For some reason, people don't like to work in the ReStore." "The pick up truck driver was a volunteer at that time." "Yeah, we didn't get paid staff for pickups for several years." "It's a group that's coming for just one time to do some work."	Developing new strong volunteer base "We aim to have volunteers that are regulars, that are almost like paid staff."
Donors	Everything was accepted	New strict Donation Guidelines published in 2016 Focus on truck drivers' training

		“Making sure that we are treating our donors well and that, you know, we're communicating things to them properly and we're making sure to thank them graciously for what they've done for us.” “When you make the store look nicer and look more professional and more like a store,[...] also really increases the quality of the donation that you get because when people see nice things, they think, oh, I could donate that nice antique I have.”
Customers	“There is a certain person who thinks that they're going into a thrift store and everything should be 5 bucks.” “There are people who are like, well, you get all this stuff for free, so who do you think you are?”	“We got some market research done by Pepperdine University students. We know now better who our customers are.”
Marketing (promotion)	Almost none “But we did it on a very low budget kind of thing.” They placed some ads in local newspaper: no ROMI analysis so Steve Dwyer decided to cancel.	“We want to make sure that we're targeting the right people and that we're using the right approach.[..] Typically, right now, the only marketing we do with them right now is on our Facebook page. We do direct email and Craigslist sometimes. Or, you know, Offer Up, some of those local.”
Atmospherics/lay out	“Mindset: it's a thrift store and that it doesn't matter what it looks like or, you know, how we present the merchandise and that, oh, it's a thrift store, just take anything and put it out there on the floor and somebody will buy it” “Whenever we got something nice, we would just shove it out in the front, “ (Lisa describing the lobby area)	Quick wins: Wall painted with bright colors and branded Introducing a “vignette approach” “So that it looks nice and so that you've got vignettes and that you've got nice things up front, changing that mentality where, you know, how you're presented is important.” “We want it to look professional. We want it to look like a nice place to shop.”
Products	All donated “But certainly the other thing is the limiting factor is how much materials we get donated, because our inventory depends upon donations.”	“It’s a place where they can get materials to renovate their homes or some nice furniture, nice furniture, not just, you know, college students starting out furniture.” ‘We tried to be choosier about what we put out on the floor, what we accept, because, again, that mentality of, well, somebody will buy it and I'm like, yes, but it's taking up space and you might not make a lot of money for it.”

		Now they offer a mixed product portfolio: donated and new (up to 15% of their annual sales). Specifically recycled paintings, new rugs and new mattresses.
Pricing Strategy	Ad hoc, unplanned and customers can bargain “The previous manager did not price things. You could come in and bargain with him, and that really didn't work too well.” “And it was kind of like what would you give me for it. And that's not a good way to run a business.”	Professional approach – they perform Internet research, ⅔ new price “We always say to them is, you know what, you know, our prices are firm, but if it's still here in a couple of weeks, it'll go down in price, so check back with us. And if it's still here, it'll be a little cheaper.” New tactics: pricing structure where every couple of weeks, everything goes down 20%
Tax Consideration	“But like for us we can only sell things that are directly related to construction. Because if like we started selling clothes then the state would come down on us and make it stop.”	Rent vs. buy the retail space: “To buy the building. Because economically you look at how much we're paying in rent, a lot of that goes to property tax. So if we could buy the building we don't have to pay property tax.”

Long-term perspective

As part of his efforts, Steve has also incorporated a long-term perspective considering avenues for growth, such as opening a third location.

> We think that there is potentially an opportunity for a third store, probably smaller, but up in the Ventura area or even out in smaller cities like Santa Paula. One of the things that we don't know because we don't get good data on our customers is how many of them come from that side of the county where Santa Paula, Fillmore, Piru, smaller communities [that] tend to be less well off economically, but that you could argue that should make our store more attractive, but they are smaller communities with 30,000 people each so we don't quite know that yet. That decision is probably 2-3 years away. (Steve Dwyer)

Our findings unveiled an organization in transition where the metrics, such as revenues, donations, planned constructions, and number of homes repaired and built, are up year after year. Following Pache and Santos' (2013a) model of individual responses under varying degrees of hybridity, Steve Dwyer could be qualified as a *novice* to the social logic and *identified* with the business one; however, he was able to quickly move to a more familiar status with the social logic based on his own learning mechanisms. Based on Pache and Santos' (2013) model, Steve Dwyer, given the dominant *social* logic, should have been described as *outsider* and therefore ignoring the social logic and complying just with the business logic; however, he was able to combine in a creative way both logics and act more as a *hybridizer*. So this challenges Pache and Santos'

(2013a) characterization of micro-actors based on their adherence to each logic and the level of hybridity of the context (*low* in our case).

In the Chrysalis (Type 2) the conflict between logics doesn't get permanently solved. However, thought *integration* of logics achieved by bringing carriers of both logics through hiring practices (mix-and-match) and socializing, the organization has acquired the knowledge to progress through the conflict.

Type 3: The Butterfly: Mature Hybrid

Homeboy Industries' evolution from a pure nonprofit to a mature hybrid is also an example of *institutional entrepreneurship*. By developing a set of social enterprises over the last 30 years without a blueprint, they diverged from the institutionalized model for organizing nonprofits, and Father Boyle acted as an institutional entrepreneur. They have been able to adopt commercial practices to compete in each of the industries that their social enterprises are part of (bakery, catering, silk-screening, etc.), but they do so without compromising their primary social goal. As a mature hybrid, Homeboy Industries has become an example that challenges the previous evidence of hybrid organizations being highly unstable. (W. Richard Scott & Meyer, 1994)

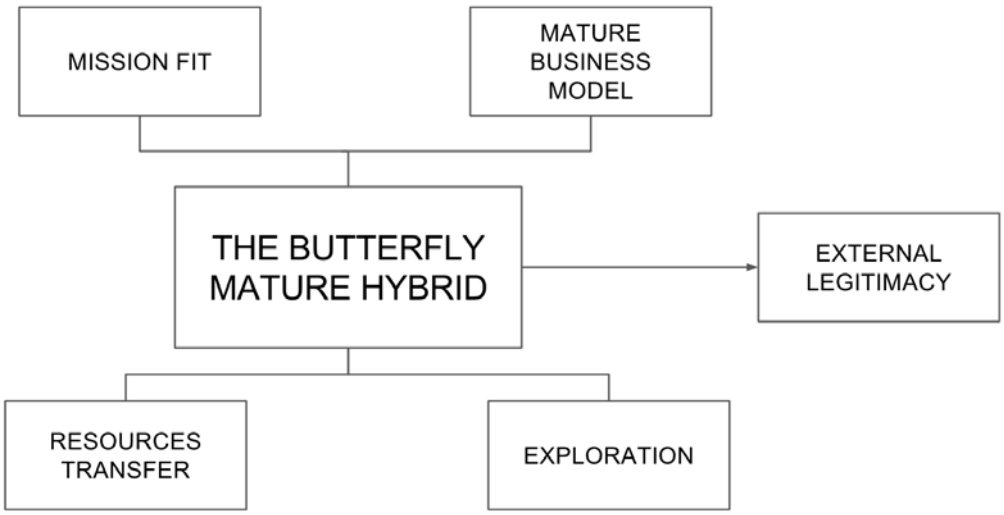
HBI's process toward hybridization started 30 years ago and during these years there have been situations were HBI has exhibited characteristics of a "stalled hybridization" and "in transition". It was through the vision and perseverance of Father Boyle, his team, and supporters that HBI was able to advance in its hybridization path. Father Boyle initially understood the social enterprises as an income producer. In 2008 he told the reporters "The aim of the cash-producing

businesses is that they bring in enough to pay for the free services" (Flanigan, 2008). Later on, he developed a more clear understanding of what the real impact of job creation meant to achieve the organizational goals. It wasn't about the social enterprises' financial contributions to their organizational goals; it was giving their *homies* time to heal while developing job skills through those social enterprises. Choi and Kreisner (2007) provide a look into the early days of those social ventures. "Another obvious challenge for Homeboy Industries is that its strategy is not well defined or clearly articulated. Father Boyle has been rather opportunistic in leveraging the help available to him without a well-defined plan. […] the organization as a whole has very limited management expertise, and very little in the way of structure or processes.(Choi & Kiesner, 2007).

Father Boyle showed high adherence to the dominant *social* logic (*identified* in Pache and Santos' typology) but was missing the blueprint and support, since social entrepreneurship, as an institutional field was still underdeveloped in the 90's. There wasn't the ecosystem that developed later in Los Angeles (Academy for Social Enterprise, and graduate and undergraduate programs in surrounding universities such as Loyola Marymount, UCLA, and USC).

During the analysis, some key themes emerged. It is important to clarify that HBI is a mature hybrid, but still in a context of low hybridity that sustains the persistence of the dominant social logic.

Figure 6. 5: The Butterfly: Mature Hybrid



Mature Business Model: As they developed and growth each social enterprises they were able to better understand when a significant impact on the mission was created. The social enterprises are now explained as a vehicle for the delivery of the mission and they have become a substantial part of their **organizational identity**, as internal and external documentation review confirmed. Father Boyle sums it up by saying, “We don’t hire *homies* to make bread, we make bread to hire *homies*”. As he explained to reporters (Pitney, 2015),

> In the early days, I’d say, “Nothing stops a bullet like a job.” When somebody introduces me somewhere and they say that, it almost feels creepy. But in the early days, that’s what we did, mainly. We were dispatching gang members to jobs. I would always say, “a job handles about 80 percent of what needs to get handled. It gives the gang

> member a reason to get up in the morning and a reason not to gangbang the night before". But I can see now that, whereas employment and all those things are true, it's kind of superficial. It doesn't get at what this is about. (Father Boyle)

Mission Fit: The mission is not only no compromised, as it was feared in the *Egg* stage but it is enhanced by the social enterprises. However, the Great Recession impacted HBI, and in 2010 the organization's survival was compromised, resulting in a 300-employee layoff. Father Boyle saw the need then to bring in some financial and business skills. Father Boyle and the Board had the vision to hire Tom Vozzo as their first CEO in 2013 after a few months working as a volunteer. Similar to Steve Dwyer at Habitat, Tom joined an organization embedded in a social logic. He was coming from the corporate world, strongly identified himself with the business logic, and could be described as *novice* in relationship with the social logic. However, after he spent a few months in his tenure, he started to realize that strategy, clear goals, processes, roles & responsibilities, and tactics were missing at HBI: "Any organization needs good strategy. Maybe they'll understand tactics, good teamwork. They need to have people in clearly defined roles. I don't know. A lot of that was missing here in Homeboy. And so we put that in place" (Tom Vozzo). Showing respect for the mission, he introduced substantial organizational changes that he has to communicate and explain internally:

> It's a grassroots-based, mission-driven culture where there's a lot more dialogue, a lot more team discussions. More consensus making, but

> really trying to get people to see the bigger picture. Whereas in a corporation, strategy's done up, up high and it's a hierarchical setting, and kind of, declare what the strategy is and people just nod and implement. Here, you have to go more after their minds. (Tom Vozzo)

He also established business performance metrics and assigned Profit & Loss responsibilities to the managers of the social enterprises. He was hybridizing through **socialization practices**:

> Some of the managers had business experience. Not many did in the businesses. They were all mission-focused. So, they didn't think about the top line, middle line, or bottom line. And so, when I came in, I said, "Look folks. We're not -- we're still going to do the mission. But managers need to do two things. You need to run your business like a business, and we also need it to be a training program." I said, "You need to be responsible for sales. You need to be responsible for cost of goods, responsible for the customer experience. I'm not going to make you responsible for the labor costs because that -- thankfully we get donor support for that. But everything else on that P&L that gets the profit, you're responsible for. Except for the labor cost." I said, "We're going to be pushing on how to drive sales, how do you do pricing, how do you do inventory, how you -- protect cost of goods. What's the customer experience going to look like?" And all that then led to increased profitability. We went from losing a lot of money to losing just a little bit of money which overall helped the agency tremendously. So, we have --

> not so much we shaped a new structure, we just said, okay, business managers need to be responsible for businesses as well. And so, we talked a lot about business performance. (Tom Vozzo)

For Tom, in order to successfully run a social enterprise, it is critical to have **business acumen**. “It's so clear to me that for a social enterprise to be successful […], you need a manager who has done that in a for-profit world, first and foremost. First and foremost, you need someone who knows how to run in a for-profit sense; but then, the business acumen has to be subordinated to the fulfillment of the mission.”

Exploration: We identified further evidence of a mature hybrid. HBI is also forward-thinking and **constantly evaluating new ideas**. They don’t have a formal process for the assessment of these ideas and they are not filtered based on their ROI. The critical screening variable is the potential to create jobs and training opportunities. They select ideas that have “growth” potential based on the number of training opportunities they will provide. This is why they closed the Homeboy Food Truck initiative after a successful launch or why they decided not to start a barber shop project suggested by one of the homies. Currently they are evaluating the launch of Homeboy Cafés across town. Similar to the franchise model, the homies will be trained to run a small café and then they will be in charge of the whole operation.

As we were closing our analysis in February 2017, HBI made public the acquisition of a full for-profit certified B-Corporation, Isidore Recycling. The deal was financed entirely by donations and represents the first for-profit subsidiary

acquisition for HBI. Isidore Recycling has been rebranded as Homeboy Recycling, and they offer e-waste recycling, certified data destruction, re-selling services, and customized e-waste solutions for private, nonprofit, and governmental clients. This purchase leveraged the CEO's business expertise, acquired during his more than 26 years in corporate America where he completed more than 40 acquisitions. The skill set that he built has served him well to complete the due diligences needed for this acquisition. This purchase was driven by a need to have a more consistent stream of revenues, as the profits generated by Isidore Recycling (now called Homeboy Recycling) will be transferred to Homeboy Industries as the mother company. This purchase also creates additional job opportunities for the trainees as they graduate from the HBI program.

> We're leaving them as a for-profit company. Because we think that can really grow, right off the for-profit company. We think that can grow. And then that would kick off profits back to us as a the mother company. (Tom Vozzo)

This purchase evidences how comfortable they are navigating between the two logics and how the expertise associated with the business logic (due diligence, valuations, market opportunity, etc.) allows them to understand that a for-profit opportunity can help them to expand their mission.

Tom depicts a clear understanding and discernment of how this symbiotic marriage of logics, where the business logic is subordinated to the mission delivery, is successful in furthering the HBI mission.

> If you're dealing with, sort of, disenfranchised population, battered women, you know, gang members, whatever, I mean, you've got to understand they have, sort of, therapeutic needs and that's when you have to marry together how often you do therapy versus how often you do work. And folks don't do that. Folks assume that after that someone has work that they can go after to their therapy. That's not going to happen. For use, therapy is the most important thing. (Tom Vozzo)

Their donor-subsidized employment resolved the tensions created by using traditional productivity standards (as a business logic will advise), as the *homies* aren't ready to produce at market level, as "healing takes time"; HBI doesn't have to compromise the original social mission to increase productivity as described in other social enterprises (Teasdale, 2012).

> A lot of other nonprofits […] visit us. They all start with the businessperson and try to add on the services and programs. But they're doing that by trying to make the employees very productive. At least our clientele, who have never worked a month in their life, half only have a high school education, and they're violent offenders. Our clientele is not ready to be productive. They have to be emotionally stable to be a productive worker. And so, we throw excess labor at it. You know, we've two or three times as much labor as a for-profit, right, to get the same amount of productivity. And so, because we have donor-subsidized employment, it works for us. So, we don't have that same tension that other would have. (Tom Vozzo)

A mature hybrid like Homeboy Industries hasn’t made the conflicts between the logics disappear, but they have learned to co-exist with those dilemmas and deal with institutional complexity in such a way that reflectively is probable – i.e. they have an enhanced ability to see and reflect upon highly institutionalized and competing meaning systems. (Seo & Creed, 2002)

> The tension we have is because we're so mission focused -- and what we're trying to do is teach -- we're trying to have our businesses replicate real world situations so that then when they get out into the real world and their supervisor, kind of, is a jerk sometimes, you can't lose it. You can't just pull off and slug the guy. You can't just walk off the job, right? We don't purposely do it this way but there's that tension with the programs -- social program folks. Oh, you're working people too hard. Oh, you're asking too much. They can't handle it. And so, there's that tension between therapy and work, therapy and productivity. And there's no right and wrong. It all depends on where an individual stands in their own readiness. And that happens -- that tension happens each and every day. (Tom Vozzo)

HBI has been able to overcome some of the challenges highlighted by Work Integration Social Enterprise (WISE) scholars. Cooney explains that for a WISE to be successful, it needs to compete with for-profit businesses while employing a less competitive workforce and providing better working conditions. HBI transfers resources from donors in order to cover the extra cost labor for hiring *homies* (Cooney, 2011). Tom estimates that hiring a *homie* costs three times

the cost of a traditional employee performing the same type of job. This allows HBI to maintain their social commitment to hiring this population.

HBI has been able to establish a sustainable combination that is now legitimized and followed by other organizations. Without a previous existing blueprint, they have been able to create a new organizational archetype.

The next table summarizes characteristics of the three types.

Table 6. 5: Types Comparison

THE EGG: STALLED HYBRIDIZATION	**THE CRYSALIS: IN TRANSITION**	**THE BUTTERFLY: MATURE HYBRID**
Not Able to Hybridize	*Symbolic and Material Hybridization*	*Full Hybrid*
• Persistence of a dominant logic • Mission drift concerns • Unresolved tensions → logics understood as incompatible • Unable to transfer resources from customers • Lack of metrics	• Persistence of a dominant logic • Gradual combination of elements of both logics • SE not part of organizational identity • EIS as a net contributor to NPO revenues • Metrics up	• Persistence of a dominant logic • Mission enhanced by the social enterprises • SE as part of organizational identity • Sustainable combination → institutional complexity • Metrics up
• Laissez-faire • Fears • Resource constraints • Mission as a blocker	• Internal Capacity Building • External Trust Rebuilding • Market Orientation • Mission Fit & Repositioning • Hiring Practices	• External Legitimacy • Mission Fit • Mature Business Model • Resource Transfer Capability
• Micro-actors role: *Monocultural* & *Protector*	• Micro-actors role: *Monocultural* & evolved from *Outsider* to *Hybridizer*	• Micro-actors: evolved from *monocultura*l to *multicultura*l • Founder from *Protector* to *Advocate* • CEO from *Outsider* to *Hybridizer*

Source: authors' own draft

Having established these typologies, we explain now the key specific findings.

Finding One: Role of the Mission

In order to advance in the hybridization process, these nonprofit organizations have to be responsive to both institutional logics; as explained above, conflicts and tensions have manifested through the collected data. However, these tensions have manifested differently from the way conflicting logics' demands have been reported in hybrid literature (see Pache & Santos, 2013). In nonprofits there is a dominant, central *social* logic, and that brings internal organizational consensus around the overall organizational goals as reflected in the mission, as well as in the legal form and status, ownership structure, and profit distribution (non-distribution constraint).

However, the primacy of the mission is interpreted in very different ways for each organization. We identify two perspectives around the mission: the mission acting as an enabler and the mission acting as a barrier/blocker.

The Blocker Mission: In our first case, Community Roots Garden, the leadership questioned the legitimacy of a social enterprise, such as Farmer for a Day project, "that makes money" and described it as "unnatural" and "impure" when related to the mission.

The mission prevented the advance in the hybridization pathway. However, they also understood that their mission orientation could have being an advantage. It could have given them a more competitive position vs. other for profit business offering similar workshops in front of socially-minded potential clients for their Farmer for a Day workshop such as Patagonia or WhollyHemp: "If you take a look at the B-Corp philosophy that both of those hold, it could

have been more attractive that they were supporting a community effort and a nonprofit rather than a different business model.” (Vern Novstrup).

CRG’s leadership also discussed the potential of Farmer for a Day to be a vehicle to create job opportunities for disadvantaged populations. “There is another garden member there who is a veteran, and another idea I wanted to have it is to eventually create a program so Veterans that want to get involved in farming or gardening, this would be an opportunity for them to make, because we were able to pay them a stipend if they were facilitating” (Angela Schultz). Despite these tentative efforts to connect the social enterprise to the Mission, at the end, “there wasn't a direct link as far as creating jobs for people for food security” (Vern Nosvtrup), and the social enterprise stalled. These conflicts over the social enterprises’ goal prevented the project from securing institutional support, since making money was perceived as incompatible with the ideological organization goals.

In the absence of internal representation of a *business* logic that could have facilitated the hybridization process, the organization resorted to avoidance that led to inaction.

The Enabler Mission: The leaders in the other two cases reflect a clear understanding of the role of the social enterprise and how it relates to the mission. In the case of Homeboy Industries:

> Because every one of our businesses -- nearly all of our businesses, we carry two to three times much labor as a for-profit business would have. But that's what we're about -- it's providing jobs. So, thankfully, we have

> such good donor support that they offset that extra labor. And so, if we pulled the extra labor out, our businesses would look like a normal business profit. (Tom Vozzo)

However, both cases are very different. Habitat for Humanity Ventura County's social enterprise is an example of *external* or *mission unrelated* (Alter, 2007), since the earned income activities are disconnected with the mission. Yet, though the hybridization efforts of the micro-actors, the narrative around the ReStores is changing, altering them to fit the mission, therefore migrating to a more *integrated* or *mission-related* social enterprise effort. At HBI, on the other hand, and as a Work Integration Social Enterprise (WISE), the earned income strategy is considered *embedded* or *mission-centric* (Alter, 2007); they are a key co-facilitator of the delivery of the mission. As explained before, without the social enterprises, the trainees couldn't be offered paid on-the-job-training, at least not for the 18-month period that the process of gradual healing requires.

Finding Two: Role of Micro-Actors

Our results confirmed the key role of micro-actors in the hybridization process. Actors are "carriers" and thus "represent" and give voice to institutional logics (Pache & Santos, 2010a). Through their day-to-day activities and decisions, they create the conditions that allow advancement or stalling of the hybridization process. Through our analysis, we uncovered different key roles.

All organizational leaders on our sample were initially defined as a *monocultural* (individuals identified with a single logic) vs. *multicultural* (individuals identified with multiple logics). Vern Novstrup and Angela Schultz of Community Roots

Garden showed strong adherence to the social logic and a social identity imprinted trough their education and professional experience (outside the nonprofit). CRG micro-actors weren't able to navigate between logics and fields, showing a limited repertoire of organizational responses to the tensions generated by the idea of the social enterprise; on the contrary, Tom Vozzo and Steve Dwyer were also *monocultural* individuals when they first joined their respective organizations, portraying strong adherence to the business logic due to professional expertise acquired with their long tenure with publicly traded organizations. Interestingly, the formal education of all key micro actors in all three cases wasn't initially conducive of business logic, as they graduated with various degrees in Engineering (Vern Novstrup), Global Studies (Angela Schultz), Theology (Father Boyle), Mathematics (Tom Vozzo), and English and International Studies (Steve Dwyer). Father Boyle deserves special attention, as he emerged as the key micro-actor in HBI. His evolution challenges extant literature on micro-actors (Pache & Santos, 2013a). His educational and early professional background embedded him in a strong social logic. As a Jesuit priest, he was exposed to key cornerstone institutions of society, religion and the Church (Frieland & Alford, 1991). With a high level of adherence to the social logic *(identified)*, and null adherence to the business logic (*novice*), in a low hybridity context, he fits into the *protector* role described by Santos & Pache and therefore he should have felt "threatened by the introduction of alternative norms, values and practices that they are not familiar with" (p.24). However, since the early days of Jobs for a Future, he was able to become more and more familiar with the business logic to the point that he felt empowered to start

the Homeboy Bakery in 1992. Still he didn't consider himself an entrepreneur, but he was evolving from a *novice* to becoming *familiar* with the commercial logic and in his own way he was starting to hybridize the organization.

On the contrary, CRG micro-actors fit into the role of *protector* of the dominant social logic. In this case we confirmed Pache and Santos' model. *Protectors* feel threated by the introductions of practices that they are not familiar with; since they get their sense of self by complying with the social logic, they are committed to see those templates prevail. They decided to question the project, leading to inaction and, eventually, a stalled hybridization.

Tom Vozzo (HBI) and Steve Dwyer (HfH) challenged the social mindset and facilitated the hybridization process by developing multicultural traits, learning to survive and grow in an institutional complex environment capacity and learning to navigate without institutional blueprints.

Steve Dwyer had a good understanding of the importance of hiring and training practices as he started to hybridize Habitat. Contrary to a "tabula rasa" hiring approach used in other hybrid organizations (Pache & Santos, 2013), he picked a mix-and-match approach driven by effectiveness for each role and function. For instance, in areas related to the mission – volunteers, constructions, fundraising – he hired candidates imprinted in social logic; when the activities related to the management of the ReStore, the social enterprise, he hired an individual socialized in business logic. In the mature hybrid, the HBI CEO Tom Vozzo followed a similar approach, but he emphasized the importance of training to complement skills that may be missing in existing employees.

Micro-actors leading Habitat and Homeboy started as *monocultural* and transitioned to *multicultural*: some individuals are better prepared to make that transition. This opens a promising future research opportunity to understand the relationship between leader's educational background, professional experience and hybrid organizations' performance. Does a combination of certain educational background and previous professional experience better prepare leaders to navigate the complexity of different institutional logics within a hybrid organization? We elaborate on this in the next Chapter.

Our results challenge the individual level responses model described in Pache & Santos (2013a). The following table displays where each of the key micro actors was expected following Pache and Santos and where they are based in our analysis.

Table 6. 6: Individual Level Responses to Competing Logics

Low Hybridity Context		**DOMINANT LOGIC: SOCIAL**		
WEAK LOGIC: BUSINESS		**Novice**	**Familiar**	**Identified**
	Novice	Ignore logics A and B Role: Ingenious member	Comply with A and ignore B Role: Follower	Comply with A and defy logic B Role: Protector **VERN NOVSTRUP (CRG) EXPECTED HERE and LOCATED HERE** **FATHER BOYLE (HBI) STARTED HERE**
	Familiar	Ignore A and comply with B Role: Outlier	Compartmentalize both logics Role: Intermediary	Compartmentalize both logics Role: Advocate **FATHER BOYLE HERE NOW**
	Identified	Ignore A and comply with B Role: Outsider **STEVE (HfH) and TOM (HBI)**	Combined A and B Role: Infiltrator	Combine A and B Role: Hybridizer **STEVE (HfH) and TOM (HBI) LOCATED HERE**

		EXPECTED HERE		

Source: authors' own draft based on Pache and Santos, 2013a

Following their categorization of individual-level responses reflected in the previous table, Steve Dwyer (HfH) and Tom Vozzo (HBI), being *novice* in the dominant social organizational logic and *identified* with business logic, should have played the role qualified as *outsider* by these authors. However, even as *outsider* they were able, over a short period of time, to evolve in their degree of adherence to the new social logic that was surrounding them and to contribute significantly to the advancement of the organization, Steve furthering the hybridization and Tom consolidating a mature hybrid state. Pache and Santos describe how this *outsider* "are likely to play a dissonant role inside the organization […] occasionally turn[ing] them into misfits" (p.19). On the contrary, our micro-actors were able to familiarize themselves with the social logic and evolved themselves from *outsider to hybridizer* as they became identified with both.

Table 6. 7: Key Micro-actors Comparison

	EDUCATIONAL BACKGROUND	**PROFESSIONAL BACKGROUND**	**ROLE PACHE & SANTOS**	**ROLE OUR FINDINGS**
CRG – Board Chair Vern Novstrup	Engineering	Social (Government)	Protector	Protector
Habitat - ED Steve Dwyer	English Global Studies	Business	Outsider	Hybridizer
Homeboy - Founder Father Boyle	Theological Studies	Social → Business	Protector	Advocate
Homeboy - CEO Tom Vozzo	Mathematics	Business	Outsider	Hybridizer

Source: authors' own draft

Finding Three: Nonprofit vs. Social Enterprise Performance

Nonprofits are able to create value for the benefit of society in their pursuit of a social mission. This *value creation* (impact) concept in the Third Sector is in opposition to the *value capture,* in which the actors conducting the activity are able to appropriate a portion of the value for their owners (shareholders in a public company, or partners in a partnership, or members in a cooperative) (Santos, 2012). Value creation is measured at a societal level and value capture is measured at the business level. As nonprofits engage in earned income activities, the boundaries between value capture and value creation become blurred. Is the ultimate goal of the EIS to allow the organization to capture additional value? Or is it to enhance their value creation and appropriation? Previous studies have studied the effect of earned income strategies on NPOs' performance. Gras & Mendoza-Abarca found a U-shaped relationship indicating that low to moderate levels of market-based income decrease the likelihood of firm exits, and high levels increase this likelihood (Gras & Mendoza-Abarca, 2014), p.392). We contested her instrumentalization of performance as nonprofits' survival because it doesn't truly account for the social value creation derived from the social enterprises. Other scholars have connected the probability of the social enterprise success with its mission relatedness. They argue that when nonprofits engage in commercial activities that are related to their mission, they are better able to maintain legitimacy and avoid mission drift, therefore having a higher probability of success (Bell, Masaoka, & Zimmerman, 2010). In this context, we propose to revise the construct of performance and success depending on mission relatedness

typology (Alter, 2007) and to untangle the performance of the nonprofit from the performance of the social enterprise. We state that mission-relatedness is neither a necessary nor sufficiency condition for the social enterprise's positive performance.

- *Embedded or Mission-centric:* in this type of SE, the financial sustainability is secondary, since the social enterprise contributes directly to the value creation; but to secure sustainability, the nonprofit has to have the capacity to transfer external resources (either via donors or government contracts) to compensate for the lack of financial break even.

- *Integrated or Mission-related:* The activities overlap with the organization's provision of services, but they are not necessarily tied to its operations.

- *External or Mission-unrelated:* The activities are disconnected from the organization's mission. In this case, the financial sustainability of the social enterprise is necessary to justify the existence of the social enterprise.

Our hybrid nonprofits provided information to elaborate:

1. The *Egg*: There is no presence of a formal methodology to measure economic or financial performance at organizational level. Consistent with prescriptions of the dominant logic, the focus is on social effectiveness, but there is no measurement methodology. Their success is measured in outputs in

a very narrow sense. They are able to track and quantify the number of volunteers visiting the garden, the number of schools' field trips, and the produce yield. Although Farmer for a Day, the social enterprise was mission-related, they weren't able to create and capture any social or financial value.

2. The *Chrysalis*: As described through symbolic hybridization, Habitat's leader is repositioning the relatedness of the ReStore to the mission from *external* to *integrated*. In this case, financial sustainability is critical, as the social enterprise is a net contributor to the organization's budget.

> I tell groups now that for the last two years we have funded 100% of our administrative and fundraising cost through ReStore profits, so if you donate to me, your donation will go 100% to programs, and that seems to be something that people... Others market it differently, they say, every year from ReStore we have been able to get the money to build a home, it is a different message, I guess I always feel that coming from my background maybe, I don't want to give to an organization that it has a lot of high administrative overhead and everything else so I gear to that side. And now our Board thinks that is good message to give. (Steve Dwyer)

Despite these repositioning efforts, Steve confirmed that ReStore wouldn't exist if he had other sources of unlimited funding:

> You could argue that ReStore is part of community building, kind of, but I would not spend my time, if I had an unlimited source of funds, I would not need to invest all of our organizational time running a ReStore. We

> try to participate, if you will, in providing or using the ReStore as a way to provide some services [autistic kids as volunteers and Return to Work programs] but that's not why we exist, but we exist to make money. (Steve Dwyer)

In an external, mission-unrelated social enterprise, it is evident there is a need for financial sustainability and value capture to justify keeping their operations running.

3. The *Butterfly*: Even in Homeboy Industries, there were early discussions about the measurement of success, and even Father Boyle hesitated to use the terms success or failure. "I feel called to be faithful, not successful… I feel called to be faithful to an approach and to certain wisdom about who these kids are. I believe that if they are given a chance, then they'll thrive and they'll begin to imagine a future for themselves" (Father Boyle in Choy and Keisner, 2007). Michael Baca, Director of Operations in the mid-2000s, proposed a more mundane approach to measure success, such as the number of Homeboy Industries' past and current clientele. "We also measure success in terms of how much an individual changes. Also, when two enemy gang members all of a sudden get along, that is success." As part of their hybridization process, it became clear that the lack of measurement was hindering growth: "We cannot depend on divine intervention alone," Michael explained. "We must do a much better job and be more effective operationally. Part of the path toward hybridization brings that awareness that to be more effective, we need to define our goals and measure our progress." (Michael Baca in Choi and Keisner,

2007). In the 2016 Annual Report, they include they now standard key metrics: 9,200 use their services and 329 trainees graduated from the 18-month program. They also add data on long-term impact: 70% of Homeboy graduates have not been arrested on new charges two years after leaving Homeboy.

Although Tom Vozzo implemented those metrics, as the organization fine-tuned its definition of success, they focused less on being self-sufficient financially and more on the delivery of the mission. They are leveraging business strategies to reach a higher social impact. Having the trainees being paid minimum wage from day one is key in the long process of healing and to develop their sense of self-worth. HBI's social enterprise, as an example of mission-centric EIS, doesn't break even given the high labor cost of trainees compared to their productivity, but through a model of donor-subsidized employment, they are able to present value creation. They transfer the cost of employing *homies* to donors and to consumers (Teasdale, 2012). This understanding of their business model explains the success of their social enterprises vs. other nonprofit organizations trying similar mission-centric social enterprise approaches that concentrate on workers' productivity (business logic):

> A lot of other nonprofits around the country, around the world come and visit us. And they all start -- which is okay -- they all start with the businessperson and try to add on the services and programs. But they're doing that by trying to make the employees very productive. At least our clientele, who have never worked a month in their life, half only have a high school education, and they're violent offenders. Our clientele is not

> ready to be productive. They have to be emotionally stable to be a productive worker. And so, we throw excess labor at it. You know, we've two or three times as much labor as a for-profit, right, to get the same amount of productivity. And so, because we have donor-subsidized employment, it works for us. So, we don't have that same tension that other would have. (Tom Vozzo)

HBI has become an example of success as they have arrived to *institutional complexity* and they are comfortably navigating tensions between both logics. The tensions haven't disappeared, but they are learning to live with them and embrace them as a fundamental characteristic of their identity. Success can be also understood as the capacity to discriminate between projects and be able to start and pivot if those new enterprises didn't deliver the expected results. They have also developed a capacity to focus on projects that allow for faster growth in order to create more jobs.

> So, it's really -- although we have seven, eight, nine businesses, I put more of the effort into the ones who can really grow and provide more opportunities. So, top line, growing helps because more revenue offsets the infrastructure costs and employ more people -- put more people to work. And the other way I think about it is -- but this is all to help our mission. This is all for people to work. So, if we try something and it doesn't work, it's okay. But along the way, we've helped people get job experience in some way. So, it's less risky from that sense. Now, that's not to say, look, a lot -- we're blessed with so many people coming with

ideas. The big part of the job is, sort of, to filter out -- And picking and choosing. (Tom Vozzo)

HBI's model has successfully overcome the "degeneration thesis" that explains that over time democracy inherent in early stage becomes overwhelmed by the market logics (Cornforth, Thomas, Spear, & Lewis, 1988). They have proved HBI that can compete with private sector organizations by combining resources in novel way and by transferring part of the high labor cost to a third party (in this case to donors and customers).

Table 6. 8: Cross-analysis: Hybrid Type, Mission-relatedness & Performance

	THE EGG: CRG	**THE CHRYSALIS: HABITAT**	**THE BUTTERFLY: HOMEBOY**
Social Enterprise's Mission Relatedness	Mission-*embedded* but unclear for leaders	Migrating from mission-*unrelated* to mission-*related*	Mission-*embedded* SE
Social Enterprise's Performance	Absent	Financially self-sustainable Positive contribution to annual budget → value creation	No break even due to high cost of labor Cross subsidized by donations Negative contributor to annual budget but → value capture

Summary

This chapter starts by analyzing how the data confirmed the presence of both logics in our sample as well as the presence of conflicting logics. The data also provided insights into the process of hybridization of nonprofits starting earned income strategies. Through this processes we unveiled three types of hybrids: the *Egg* (stalled hybridization), the *Chrysalis* (ongoing hybridization), and the *Butterfly* (mature hybrid). Internal capacity building combined with an effort to

build external trust emerged as key success factors. We also distinguished between conceptual and material hybridization as key components of the process. The micro-actors surfaced as the key to the advancement of the process model. Interestingly, the micro-actors that enabled the process were *novice* to the social logic, but they were able to find the mechanisms to deal with both logics experienced at the organizational level. These findings reinforce the research gap unveiled during our literature review: established nonprofits that start or plan a social enterprise or earned income strategy, understood as a low hybridity context, need to be studied as a very distinctive type of hybrid organization.

CHAPTER 7: CONCLUSIONS

Introduction

The purpose of this exploratory multi-case research was to study the emergent and growing phenomena by which some established nonprofits that start an earned income strategy (EIS) are able to move the enterprise forward and some are not. Literature on nonprofits (Child, 2010, Kerlin & Pollak, 2011) has discussed at length the evidence (or lack thereof) of a growing trend of earned income activities as well as the marketization of the nonprofit sector and argues in favor (William, 2003, Dees, 1998) or against (Foster & Bradach, 2005) the use of commercial activities by the Third Sector. Likewise, literature on social enterprise and hybrids has examined hybrid organizing (Battilana & Lee, 2014; (Doherty, Haugh, & Lyon, 2014) as well as the mechanisms used to reconcile contradictory logics (Pache & Santos 2013ab, Reay & Hinings, 2009). Our dissertation complements those different streams by focusing on the influence of conflicting logics on the entrepreneurial process in an under-researched organizational context: established nonprofit organizations. This research locus is considered a low or shallow hybridity context. A *low hybridity* context is defined as one that has a predominant logic (Billis, 2010) and one peripheral logic; in our cases the predominant core logic was the *social* logic since nonprofits are inherently social organizations, and the peripheral logic was the commercial or *business* one; as established nonprofits decide at some point in time to start a social enterprise or earned income strategy, they start adopting practices derivate from the business logic. This creates conflicts and tensions between the two logics that impact the outcome of the social enterprise. (Reay

& Hinings, 2009, Pache & Santos, 2013ab).

Hybridization Process & Typology

Our first research question was a *how* question. We aimed to explain how established nonprofits engage in earned income strategies. We learned that when these organizations start a social enterprise they engage in a hybridization process that takes them through different stages as they resolve the tensions that arise between the different logics. At each key juncture of this process (Figure 7.1), an organization can be stuck in one of these stages or move gradually to the next stage. Our model also shows how both logics co-evolve and co-exist as they are reconstructed by key micro-actors in each of the stages. As a result, we unveiled three types of organizations advancing through the hybridization process. Specifically,

Type I: The "*Egg*", Stalled Hybridization: This is the primary stage where the core prescribed logic by the legal structure is the social one. There is questioning of the fit between mission and commercial ideas; if the organization isn't able to understand or justify that fit, the social enterprise is not capable of moving forward, as illustrated in our first case. The organizational social mission turns out to be a blocker of the social enterprise. In looking for explanations we bring the argument shared by some authors that social logic may carry a moral high ground and they are perceived as the "moral better half of hybrid forms. " (Rodgers, 2016, p. 30) resulting in "rejection of counterpart logics' tenets or elements as tainted—even those which may have been pragmatically helpful*".*

(Rodgers, 2016, p. 31). Additionally, fears, resource constraints and a laissez-faire attitude emerged as drivers of the stalling.

Type II: The "*Chrysalis*", In Transition: In this stage the organization has accepted the suitability of the earned income strategy (EIS) to achieve the organizational goals. The social enterprise is becoming part of the organizational image and identity at internal and external levels. At the organizational level we identified two themes, internal capacity building (at board, staff and volunteers sublevels) and external trust rebuilding. Specifically, for the social enterprise we differentiated between a *symbolic hybridization* that impacted intangible elements including a repositioning of the EIS from *unrelated* EIS (external) to more *integrated* (mission related) EIS; and a *material hybridization* that included visible and tangible adjustment in hiring practices, branding and market orientation at retail space level.

Type III: The "Butterfly", Mature Hybrid: In this final stage, the most important conclusion is that conflicts haven't disappeared but the organization has hybridized permanently and the social enterprises are part of the organization's image and identity. The organization faces constant trade-offs between the logics but they have developed the *capacity to embrace this unstable equilibrium* and turn it into a source of opportunities. There is no longer questioning of the fit between mission and commercial activities; there is a clearly defined understanding of how the social enterprises facilitate the delivery of the mission and how they are subsidized by external donations. Tensions arise occasionally, but the organization has developed an *operational "know*

how" to deal with them. Additionally, the *mission* becomes the beacon that helps them to discriminate between constant trade-offs as a result of conflicts between logics, and build their portfolios of the social enterprises as exemplified by our third case, Homeboy Industries.

Another insight unveiled by our analysis is the existence of an underlying mechanism of organizational **ambidexterity** that develops in parallel with the hybridization:

Type I, the Egg: In this stage the capability to explore is absent (Cottrell & Nault, 2004). Entrepreneurial activities are seen as a distraction and the focus is on capabilities to run the existing programs. The *Egg* organization may fall into a "competency trap" (Gupta, Smith, & Shalley, 2006) where obsolete capabilities can still create some social impact but lead to stagnation and lack of growth.

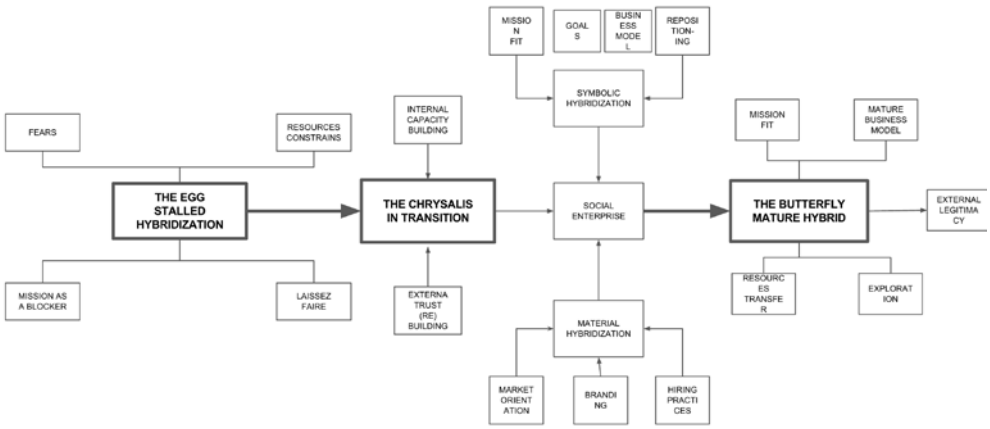
Type II, the Chrysalis: In this stage, nonprofits are able to build the capacity that allows them to be effective in the delivery of their existing programs while they implement their social enterprises by mastering organizational routines (Adler, 1999).

Type III, the Butterfly: Our mature type experiences enduring and stable institutional complexity, and although the tensions among logic still appear, the organization has developed a capacity of reflection and sense-making of the ongoing challenges and the capacity to act upon them as they arise. This stability amidst the instability resembles those of ambidextrous organizations, i.e. "the ability to simultaneously pursue both incremental and discontinuous innovation." (Tushman, Reilly, & Charles III, 1996). As described in

Organizational Ambidexterity literature on firms' performance, organizational survival is tied to the additional exploration capability. Mature hybrids are able to manage not only the tensions between the logics but also the competing pressures to efficiently deliver results in existing programs (exploitation), while exploring new innovative ways to serve a wider population of beneficiaries, expand portfolio of programs, and increase sources of funding (exploration). So mature hybrids exhibit characteristics of ambidextrous organizations as this enduring and stable combination of logics leads to institutional complexity that becomes institutionalized internally. They didn't have clear blueprints or templates for organizing but as a result of their developed capabilities, they are developing a new organizational field becoming truly **Institutional Entrepreneurs.** Their leaders are able to leverage "resources to transform existing institutions" (Battilana, Leca, & Boxenbaum, 2009). They fulfill the conditions required by Battilana et al. to be considered as such. They are able to "(1). Initiate divergent changes and (2) actively participate in the implementation of these changes."(2009, p. 68).

An important additional variable to be considered is **time**. Since these nonprofits are organically evolving toward a hybrid state (vs. *enacted* hybrids that were created as such from day one), it has taken them years to arrive at the stage they are today. It took Habitat 15 years since they opened their first ReStore to migrate from *Egg* to *Chrysalis* and Homeboy spent 25+ years to get to its current mature state. As explained in the Methods chapter, given the time constraints, we couldn't design a full longitudinal research but the collected data allowed us to illustrate how the hybridization process doesn't happen overnight.

Figure 7. 1: Theoretical Model & Hybrid Typology



Role of Micro-actors

Hybrid scholars have highlighted the importance of studying institutional logics at different levels of analysis. Especially important was to increase our understanding of the role of individuals in the process and their ability to combine conflicting institutional logics (Pache and Santos 2013). Scholars have mentioned the need for a "better understanding of micro-level origins and earliest moments of institutional change, prompting calls to pay closer attention to the unfolding of change as it arises from the day-to-day actions of individuals at work" (Smets, Morris, & Greenwood, 2012) (p.3*).* As the organization itself goes through the hybridization, the organizational actors experience and resort to mechanisms to deal with competing institutional logics. From our findings we learned that leaders of organizations operating in *low* hybridity context play a critical role in the success or failure of the hybridization efforts. Based on Pache and Santos (2013a) in our first type the *Egg (stalled hybrid)* a *protector* leader causes rejection (explicit or implicit) of the business logic and prevents the process to move forward. There are unresolved tensions between the logics

and they are understood as incompatible. Additionally, this leader interprets the mission as a *blocker* for the earned income strategy. As illustrated in the case of CGR, the idea of charging a fee for services was described as “impure”. One possible explanation could be that their leader as a monocultural individual can’t contribute to institutional adaptation. We identify another key themes that may prevent the EIS to move forward such as a laissez-faire attitude and a lack of concrete chain of commands and responsibilities. This leads to an organizational inertia that results in a stalled hybridization.

The *Chrysalis*’s leader is able to start a gradual combination of both logics within the organization and to establish the connection between the earned income strategy and the mission. This micro-actor acts as *hybridize*r that fosters collaboration between micro-actors driven by different logics under one new hybrid identity. In our illustrative case, the organizational leader championing this transition initially could be qualified as an *outsider* (*identified* with business logics and *novice* to the dominant social logic) but he was able to evolve into a *hybridizer* in a relative short period of time and embark the rest of the organization into the process. Similar to the ambidextrous leader, the *hybridizer* is able to “understand the requirement of different types of businesses, the authority to implement new incentive systems to institutionalize the ambidextrous approach and to minimize internal resistance, and the skills to communicate clearly their approach in order to offset any media skepticism” (Greenwood et al. p.356). Hence, even if they start as a *monocultural* individual embedded in just one logic, the *business* one, but are able to evolve and quickly get socialized into the dominant *social* one.

In the final stage, the *Butterfly* has a stable and sustainable combination of both logics still with a clear dominance of the social one. They have achieved institutional pluralism and their approach has become legitimized. Our case seems to illustrate a growing phenomenon in nonprofit organizations that have achieved this degree of the maturity. Two types of complementary micro actors emerge as critical in the final stage of hybridization. First, the *advocate* who, although at first is only familiar with the social logic, she/he is able to recognize and value the expertise and contribution of the business logic to move the earned income strategies forward; and the *hybridizer*, that although initially only socialized in one logic, the business one, it is able to productively employ his/her business expertise to successfully advance the social mission. These two figures are complementary; the *advocate* remains in the organization as the charismatic manifestation of the social logic, while the *hybridizer* takes care of strategic and tactical matters in within the organization. We conclude that the hybridization of the organization cannot and should not be separated from the transformation that the micro actors experience.

Similar to Battilana and Dorado (2010) we highlighted leadership and managerial discretion to explain key mechanisms, however we depart from their conclusions about optimal hiring mechanisms that allow favoring hiring applicants with neither business nor social backgrounds and a better socialization of the new hires. Our cases show that a mix-and-match approach where candidates are selected based on their capabilities for the jobs is favored in the *Chrysalis* stage with positive results. Once they are hired, the *hybridizer* leader facilitates the collaboration between employees with different identities.

Mission-relatedness and Performance

The literature presents inconclusive results about the impact of earned income strategies on organizational performance (Besharov & Smith, 2014, Gras & Mendoza-Abarca, 2014). Scholars have categorized the earned income strategies based on the level of connection between the commercial activity and the organizational mission. For example, Alter (2007) distinguished between *mission-centric* EIS, *mission-related* EIS and *mission-unrelated* EIS and the centrality of the mission has been connected with the likelihood of success by some authors (Dees, 1998). Accordingly, at the end of our analysis we asked ourselves if our hybrids can perform positively on multiple demands or do they perform worse as a result of those conflicting logics? (Rodgers, 2016). Our Chrysalis (in transition) and Butterfly (mature) hybrids display positive performance as an outcome of their hybridization. We also considered if the mission relatedness of the social enterprise could act as a moderator of their performance. As illustrated by our cases, the connection between the mission and the social enterprise is not sufficient or necessary for success, although it can facilitate it. In our cases, both the Egg and the Butterfly launched earned income strategies related to the social mission. However, only the latter could be considered as having a successful performance. Our case illustrating the intermediate stage, the Chrysalis, is running an unrelated mission earned income strategy, however it is a positive financial contributor to the organization's budget. From our cases, we can conclude that to some extent, it is possible that the role of the micro-actors is more relevant to the positive performance of the earned income strategy than the actual relatedness

between mission and EIS.

Contributions

Our findings advance the emerging literature of hybrid organizations and nonprofit organizations (S. R. Smith, 2014) by strengthening a distinctive research locus at the intersection of entrepreneurship and nonprofit management (Public Administration Review Symposium, 2017): nonprofits operating social enterprise need to be studied as a distinctive subtype of hybrid. Specifically, we introduced a theoretical model (Figure 7.1) for a process of hybridization in this context, unveiling a distinctively theoretical typology of nonprofit hybrids: the *Egg (*stalled hybrid*),* the *Chrysalis* (in transition) and the *Butterfly* (mature hybrid) and the specific intra-organizational mechanisms that allow reconciling multiple logics within a single organizational form. We also helped bridge the gap between studies at organizational and micro levels by connecting the hybridization of the organization to the activities (and even self-hybridization) of their leaders, responding to Pache & Santos' (2013a) call. We also expanded previous characterization of the ideal competing logics, both social and business across new dimensions (Table 6.1) that can be used in the future for hybrid scholars exploring new organizational fields and employing pattern matching techniques (Reay & Jones, 2015). As pointed out by Reay & Jones, despite the growing scholarly interest in institutional logics, hybrid organizations and social entrepreneurship, the analysis and understanding of the qualitative methods to study these logics is still underdeveloped. We also contributed to extant literature on Work Integration Social Enterprises (Battilana,

Segul, Santo 2015, Cooney 2006, 2011, Pache and Santos 2013, Spear et al. 2005) as Homeboy turned out to be an advanced case of social innovation evidenced by the intentional purchase of a full for-profit organization.

As Seelos and Mair explain in their book *Innovation and Scaling for Impact* "whether an idea is innovative or not depends on the organization […] *Innovative* is thus a relative term within an organization over time, an it id a relative terms across organizations." (p.199). Within our sample, we believe that Homeboy represents an advanced case of innovative institutional change that deserves special attention (Seelos & Mair, 2017).

Implications for Practice

Scholars have documented (Crossan & Apaydin, 2010) that research on social innovation does not always translate into practical advice. Reflecting on this criticism, we aimed to develop research that can be relevant for practitioners in nonprofit organizations, as they struggle to juggle competing demands with limited resources in their everyday operations. Nonprofits considering starting an earned income organization should be made aware of the challenges and risks and understand the full implications of the hybridization process they are about to start. Given the scarcity of resources faced by nonprofit leaders, they could use our proposed theoretical hybridization model to ask the right questions, understand challenges and illustrate how other organizations have resolved those challenges. Our tri-stage process could also help nonprofits' leaders and board members to reflect on their hiring practices and understand the degree of adherence to difference logics of potential candidates and the

impact on his/her performance.

Limitations

As with any research effort limitations should be spelled out. With qualitative research we cannot rely on statistical inference to validate our findings, as we risk ending up with idiosyncratic results that may be difficult to extend to other organizations. As explained in our Methods chapter, we described in detail the characteristics of the cases in our sample and included “thick descriptions” in our findings “for readers to assess the potential transferability and appropriateness for their own settings” (Miles et al. 2014, p.314). We pursued an “analytical generalization”(Yin, 2014) that allows our conclusions to be applied in other low hybridity contexts with enduring logics conflicts and a predominant logic at time of founding; for instance, public universities starting money- making divisions (Publishing, Facilities & Dorms Rental to the open public, Extended Education, etc.).

The geographical clustering of the nonprofit organizations in our sample could be pointed out as another potential limitation of the design. The realistic need for extended engagement in the field by these researchers in order to build credibility and internal validity explains this clustering.

The core of the data was collected over a ten-month period starting in Spring 2016. The need to limit our data collection period for practical purposes prevented us from following the evolution and outcomes of some of the planned activities by the organizations in our sample. Only time could tell us if some of the new activities planned, as part of the hybridization would yield the expected

results. For Habitat for Humanity Ventura County, it remains to be seen if the transformation of their retail spaces and the rhetoric surrounding the ReStores will allow sales to reach their targets. Homeboy Industries just completed the innovative acquisition of Isidore Recycling, a for-profit enterprise. We need to wait and see if this purchase brings not only the financial results projected, but also the expected new employment opportunities for the HBI graduates. Finally, we point out the biases that we could have brought within the research given our extended previous contact with the field. We extend the “traveler metaphor “ vs. “miner metaphor” for in-depth interviews to our constructivist research approach in which knowledge is not given but is “created and negotiated” (Ritchie et al. 2014, p.179). So instead of seeing our previous extended field contact as a weakness, we think of it as a strength that has facilitated our process of discovery and analysis.

Future Research

Through our research effort, we encountered interesting new lines of inquiry that we elaborate on here. We encourage researchers to keep exploring the micro foundations of business and society and the role of individuals to explain organizational level strategies and field-level institutional change. From our findings we learned that some initially *monocultural* individuals (business) after spending time in a given institutional environment (social) are able to evolve their degree of adherence to the new logics and become *multicultural*, i.e. individuals identified with multiple logics. To understand the characteristics and antecedents that enhance this dynamic evolution can have important

consequences for micro-foundations studies and for practitioners. Organizational Behavior (Vora, 2015) and Transformational Leadership (Sun & Henderson, 2016) literatures could serve as the foundation to develop this intriguing line of inquiry.

We anticipate further research on nonprofit leadership that could clarify what types of leadership styles are more appropriate to facilitate the successful transition across stages in our hybrid model. Does the transition from one stage to the next necessarily require a leader familiar with the *business* logic? Previous research on hybridity has explored the role of a CEO's educational background in hybrid organizations (Pascal, Mersland, & Mori, 2017), concluding that MFI's lead by a CEO with a business education perform financially and socially better that MFI managed by CEOs with other educational backgrounds. However, we think our findings regarding the role of micro actors in the hybridization process, encourage a reformulation of the question in future studies. We have unveiled an additional phenomenon worth further exploration. Does a previous solid business professional experience lead to better financial and social organizational outcomes in low hybridity context? The organizations in our sample that have undertaken a successful hybridization model are both run by leaders that have solid corporate background in American multinational organizations and have run businesses in the hundreds of millions and staff of hundreds. There is still a lack of understanding of how Executive Directors' previous corporate experience impacts the performance of nonprofit organizations. Our findings indicate that the business background of the new CEO and ED of our nonprofits has contributed significantly to successful

hybridization of the organizations. We encourage researchers to look into these phenomena.

We are especially intrigued by the Homeboy Industries case, as it emerged from our research as an organization that is enacting a new field-level logic. Their purchase of a for-profit organization presents a new research opportunity worth investigating, as we may be witnessing institutional change unfolding. So we propose to extend work at the field level to understand if a mature hybrid (by our typology) can be contributing to institutionalize a new distinctive social enterprise field as it starts moving from a core central position in the field (non profit) to a more peripheral one adopting more attributes of the business logic. They are not experiencing punishment for non-conformity with field logics, on the contrary, they have been able to achieve legitimacy with their hybrid approach. How this organizational change moves to the field level could also have important implications for institutional and hybridity scholars and practitioners. Additionally, it remains to be seen if the *structural* hybrid arrangement with the for-profit being a subsidiary of the nonprofit generates a new set of conflicts or tensions between the logics that isn't present in their existing social enterprises run under the one existing nonprofit organizational umbrella. What would be the arrangements to manage the boundaries between both structures?

Final Reflection

Stake (1995, p.135) explains

> Qualitative case study is highly personal research. […] The quality and

> utility of the research is not based in its reproducibility, but whether or not the meaning generated, by the researcher or the reader, are valued. Thus a personal valuing of the work is expected (Stake, 1995).

As our efforts in this dissertation come to an end, we reflect on our initial motivations. We initially observed distinctive social enterprise phenomena that piqued our scholarly curiosity. What these almost three years of back and forth engagement between the field and the literature has brought to us is a stronger sense of admiration for the individuals that are part of these organizations. Growing admiration for their daily work and increased respect for the long-term impact that these nonprofits create in our local communities and beyond. Unknown to them, they are also trailblazing unchartered waters. The primary driver in our quest to better understand this phenomena was ultimately a desire to create ambidextrous research that is able, not only to expand our understanding of a scholarly field of inquiry, but also to contribute to the much needed improvement of the Third Sector's financial and social performance.

CAPÍTULO 7: CONCLUSIONES

Introducción

El propósito de esta investigación exploratoria multicaso ha sido estudiar los crecientes y emergentes fenómenos en virtud de los cuales algunas organizaciones sin ánimo de lucro que acometen una estrategia de generación de ingresos propios (EIS) son capaces de prosperar, mientras que otras no lo hacen. La literatura académica acerca de las organizaciones sin ánimo de lucro (Child, 2010, Kerlin y Pollak, 2011) ha analizado a fondo las pruebas (o falta de ellas) de una tendencia creciente de las actividades de generación de ingresos propios así como la mercantilización del sector de las organizaciones sin ánimo de lucro y defiende (William, 2003, Dees, 1998) o bien critica (Foster y Bradach, 2005) la utilización de actividades comerciales por parte del Tercer Sector. De igual modo, la literatura acerca de la empresa social y las entidades híbridas ha examinado la organización híbrida (Battilana y Lee, 2014; Doherty, Haugh y Lyon, 2014) así como los mecanismos utilizados para reconciliar lógicas contradictorias (Pache y Santos 2013, Reay y Hinings, 2009). Nuestra tesis complementa esas diversas corrientes centrándose en la influencia de las lógicas en conflicto en el proceso de emprendimiento en un contexto organizativo sobre el que no se ha investigado lo suficiente: las organizaciones sin ánimo de lucro consolidadas. Se considera que el *locus* de esta investigación es un contexto de hibridez baja o superficial. Un contexto de *baja hibridez* se define como aquel en el que existe una lógica dominante (Bills, 2012) y una periférica. En los casos de estudio utilizados la lógica fundamental

predominante es la *social*, dado que las organizaciones sin ánimo de lucro son intrínsecamente sociales, mientras que la lógica periférica es la *comercial* o de *negocio*. Cuando las organizaciones sin ánimo de lucro *ya existentes* deciden acometer en un momento dado una empresa social o una estrategia de generación de ingresos propios, adoptan prácticas derivadas de la lógica comercial. Tal cosa genera conflictos y tensiones que tienen un impacto en los resultados de la empresa social (Reay y Hinings, 2009, Pache y Santos, 2013).

Proceso y tipología de hibridación

La primera cuestión que nos hemos planteado en la investigación ha ido encaminada al *cómo*. Hemos intentado explicar la forma en que las organizaciones sin ánimo de lucro *consolidadas* han acometido estrategias de generación de ingresos propios. Hemos advertido que, cuando estas organizaciones dan el salto a una empresa social, inician un proceso de hibridación que las hace atravesar diversas fases a medida que resuelven las tensiones que van surgiendo entre las distintas lógicas. Una organización puede quedar estancada en una de las fases clave que componen este proceso (Gráfico 7.1) o bien evolucionar gradualmente hacia la siguiente. Nuestro modelo muestra asimismo la forma en que ambas lógicas evolucionan y existen en paralelo mientras se van reconstruyendo por la intervención de microactores clave en cada una de las fases. A partir de ello hemos revelado tres tipos de organización que se van desarrollando a lo largo del proceso de hibridación. Concretamente:

Tipo I: “Capullo”, Hibridación Estancada: Esta es la fase básica en la que la lógica fundamental determinada por la estructura legal es de orden *social*. Se cuestiona el encaje entre la misión y las ideas comerciales; si la organización es incapaz de entender o justificar ese encaje, la empresa social no puede progresar, tal como queda ejemplificado en nuestro primer caso. La misión social organizativa demuestra ser un obstáculo para la empresa social. Al examinar las explicaciones, proponemos el argumento –propugnado por algunos autores– de que la lógica social puede conllevar un listón moral elevado y que se consideran “la mitad virtuosa de las estructuras híbridas” (Rodgers, 2016, p. 30), lo que deriva en un “rechazo de los presupuestos o los elementos de las lógicas complementarias como algo devaluado, aun aquellas que pueden haber sido útiles en un sentido pragmático” (Rodgers, 2016, p. 31). Además de esto, los miedos y las limitaciones en los recursos se plantean como causas de estancamiento.

Tipo II “Crisálida”, en Transición: En esta etapa la organización ha aceptado la legitimidad de la estrategia de generación de ingresos propios (EIS) para alcanzar los objetivos organizativos. La empresa social comienza a formar parte de la imagen y la identidad organizativa a escala interna y externa. A escala organizativa hemos detectado dos temas recurrentes: el desarrollo de la capacidad interna (directiva, plantilla y subniveles de voluntariado) y la reconstrucción de la confianza externa. Concretamente, en el caso de la empresa social hemos diferenciado entre una *hibridación conceptual* con un impacto en los elementos intangibles, incluyendo un reposicionamiento de la EIS desde EIS *desvinculada* (externa) a EIS más *integrada* (vinculada a la

misión); y una hibridación material que incluye un ajuste visible y tangible en las prácticas de contratación, la imagen de marca y la orientación al mercado en el terreno de la venta al público.

Tipo III: “Mariposa”, Madura: En esta última etapa, la conclusión más importante es que los conflictos no han desaparecido, pero la organización se ha hibridado de forma permanente y las empresas sociales forman parte integral de su imagen y su identidad. La organización se enfrenta a constantes compromisos entre lógicas, pero ha desarrollado la **capacidad de asimilar este equilibrio inestable** y convertirlo en una fuente de oportunidades. Ya no se cuestiona el encaje entre la misión y las actividades comerciales; existe una comprensión nítida de la forma en que las empresas sociales facilitan el cumplimiento de la misión y cómo se subvencionan por medio de donativos externos. Siguen aflorando tensiones de vez en cuando, pero la organización ha desarrollado los **conocimientos operativos** necesarios para resolverlas. Además, la misión se convierte en el faro que las ayuda a discriminar entre los constantes compromisos que se producen a resultas de los conflictos entre lógicas y desarrollar las carteras de las empresas sociales, tal como queda ejemplificado por nuestro tercer caso, Homeboy Industries.

Otra conclusión revelada por nuestro análisis es la existencia de un mecanismo subyacente de ambidestreza organizativa que se desarrolla de forma paralela a la hibridación.

Tipo I, el Capullo: En esta fase la capacidad exploratoria es nula (Cottrell & Nault, 2004). Las actividades de emprendimiento se consideran una distracción y el foco está puesto en las capacidades para gestionar los programas

existentes. La organización *Capullo* puede caer en la “trampa de la competencia” (Gupta et al., 2006), en virtud de la cual algunas capacidades obsoletas pueden generar cierto impacto social, pero conducen al estancamiento y la falta de crecimiento.

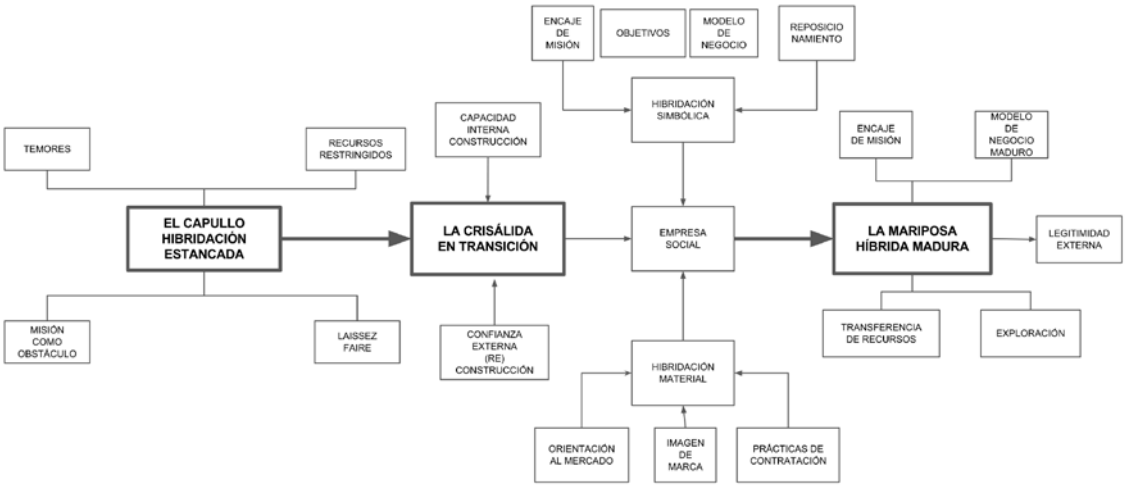
Tipo II, la Crisálida: En esta fase, las organizaciones sin ánimo de lucro pueden desarrollar la capacidad que les permite ser eficaces en la aplicación de los programas ya existentes mientras que a la vez introducen sus empresas sociales dominando las rutinas organizativas (Adler, 1999).

Tipo III, la Mariposa: Nuestra organización madura (Mariposa) experimenta una complejidad institucional duradera y estable y, aunque siguen manifestándose tensiones entre lógicas, la organización ha desarrollado una capacidad de reflexión y entendimiento de los nuevos retos, y la facultad de obrar a medida que se enfrenta a ellos. Esta estabilidad enmarcada en una inestabilidad es semejante a la de esas organizaciones ambidiestras, o lo que es lo mismo, “la capacidad de buscar una innovación gradual y a la vez discontinua” (Tushman et al., 1996). Tal como se describe en la literatura de la Ambidestreza Organizativa en lo tocante al rendimiento de las empresas, la supervivencia organizativa está vinculada a la capacidad adicional de exploración. Las organizaciones híbridas maduras no solo son capaces de gestionar las tensiones entre lógicas, sino también las presiones que compiten por ofrecer resultados eficientes en el seno de los programas existentes (explotación), explorando a la vez formas innovadoras de atender a una población de beneficiarios mayor, ampliar la cartera de programas e incrementar las fuentes de financiación (exploración). Las organizaciones

híbridas maduras muestran características propias de las organizaciones ambidiestras, puesto que esta combinación duradera y estable de lógicas conduce a una complejidad institucional que se institucionaliza internamente. Carecían de modelos o patrones claros para organizarse, pero, a consecuencia de las capacidades que han desarrollado, están desarrollando un nuevo campo organizativo, lo que las convierte en verdaderos **emprendedores institucionales**. Sus dirigentes son capaces de aprovechar "los recursos para transformar las instituciones existentes" (Battilana et al. 2009, p.68). Cumplen las condiciones estipuladas por Battilana, Leca y Loxebaum para gozar de semejante consideración. Son capaces de "(1) iniciar cambios divergentes y (2) participar activamente en la aplicación de tales cambios" (2009, p. 68).

Una de las variables importantes que se debe tomar en consideración es el tiempo. Dado que estas organizaciones sin ánimo de lucro evolucionan orgánicamente hacia un estado híbrido (en contraposición a organizaciones híbridas *por fundación* que se crearon como tales desde el primer día), les ha costado años alcanzar su estado actual. Habitat precisó de quince años desde que abrió su primer ReStore para migrar de *Capullo* a *Crisálida* y a Homeboy le llevó más de veinticinco años llegar a su estado de madurez actual. Tal como se explica en el capítulo de Métodos, debido a las limitaciones de tiempo no hemos podido diseñar un estudio longitudinal completo, pero los datos recabados sí que nos permite ofrecer ejemplos de que proceso de hibridación no tiene lugar de un día para otro. Y al ir pasando de una fase a otra, avanzando en el nivel de madurez de las empresas sociales, lleva más tiempo dar el siguiente paso.

Figure 7. 1: Modelo teórico de hybridación & tipología



El papel de los microactores

Los expertos en organizaciones híbridas destacan la importancia de estudiar las lógicas institucionales a distintos niveles. Una de las cuestiones de especial importancia ha sido mejorar nuestra comprensión del papel de los individuos en el proceso y su capacidad para combinar lógicas institucionales en conflicto (Pache y Santos 2013a). Smets (2012) menciona la necesidad de una “mejor comprensión de los orígenes a micro escala en los primeros momentos del cambio institucional, lo que exige prestar mayor atención al desarrollo del cambio tal como se genera en las acciones diarias de los individuos en el entorno de trabajo” (p. 3). A medida que la organización misma pasa por la hibridación, los actores organizativos experimentan y utilizan mecanismos para enfrentarse a las lógicas institucionales que compiten entre sí. Hemos advertido que los dirigentes de las organizaciones que operan en un contexto de *baja* hibridez desempeñan un papel crítico en el éxito o el fracaso de sus tentativas. Basándonos en Pache y Santos (2013a), en nuestro primer tipo, el *Capullo*

(híbrida estancada), un dirigente *protector* genera rechazo (explícito o implícito) a la lógica comercial e impide que el proceso avance. Existen tensiones no resueltas entre las lógicas y se conciben como incompatibles. Además, este dirigente interpreta la misión como un *obstáculo* para la estrategia de generación de ingresos propios. En el caso de CGR, la idea de cobrar una tarifa por servicios se calificó de “impura”. Una explicación posible es que su dirigente, como individuo monocultural, no puede contribuir a la adaptación institucional. Identificamos otras cuestiones clave que pueden impedir que la EIS avance, tales como una actitud de *laissez-faire* y una falta de cadenas de mando y responsabilidades. Esto conduce a una inercia organizativa que acaba en una hibridación estancada.

El dirigente de la *Crisálida* es capaz de iniciar una combinación gradual de ambas lógicas en el seno de la organización e interconectar la estrategia de generación de ingresos propios y la misión. Este microactor opera como un *hibridador* que fomenta la colaboración entre microactores motivados por lógicas distintas en el marco de una nueva identidad híbrida. En nuestro caso representativo, el dirigente organizativo que defiende esta transición puede calificarse en primera instancia de *outsider* (*identificado* con lógicas comerciales y *neófito* en lo tocante a la lógica social dominante), pero fue capaz de evolucionar en *hibridador* en un periodo relativamente corto y embarcar al resto de la organización en el proceso. De manera similar al dirigente ambidiestro, el *hibridador* es capaz de “entender las exigencias de los diversos tipos de negocios, tiene la autoridad para introducir nuevos sistemas de incentivos para institucionalizar el enfoque ambidiestro y minimizar la

resistencia interna y cuenta con las habilidades para comunicar claramente su enfoque para contrarrestar cualquier clase de escepticismo mediático" (Greenwood et al. p.356). De ahí que, aun cuando empiezan como un individuo monocultural enclavado en una sola lógica, la *comercial*, son capaces de evolucionar e integrarse con rapidez en la lógica social dominante.

En su último estadio, la *Mariposa* disfruta de una combinación estable y sostenible de ambas lógicas, aunque aún predomine claramente la social. Han alcanzado un pluralismo institucional y su enfoque ha quedado legitimado. Nuestro caso parece ejemplificar un fenómeno al alza en las organizaciones sin ánimo de lucro que han alcanzado este grado de madurez. Hay dos tipos complementarios de microactores que se revelan como críticos en la última fase de la hibridación. En primer lugar, el *abogado/defensor* que, aun cuando en un principio solo esté familiarizado con la lógica social, es capaz de reconocer y valorar los conocimientos y la contribución de la lógica comercial para impulsar las estrategias de generación de ingresos propios; y el *hibridador* que, si bien en un primer momento solo socializaba con una lógica –la comercial–, es capaz de emplear productivamente sus conocimientos comerciales para impulsar exitosamente la misión social. Estas dos figuras son complementarias: el *abogado/defensor* se mantiene en la organización como la manifestación carismática de la lógica social, mientras que el *hibridador* se ocupa de cuestiones estratégicas y tácticas en la organización.

Llegamos a la conclusión de que el proceso de organización híbrida no puede ni debe disociarse de la transformación que experimentan los microactores.

En la línea de Battilana y Dorado (2009) hemos incidido en el liderazgo y la

toma de decisiones de la directiva para explicar mecanismos clave, si bien discrepamos de sus conclusiones acerca de los mecanismos de contratación óptimos que permiten favorecer la contratación de candidatos sin trasfondos comerciales ni sociales y una mejor socialización de los nuevos empleados. Nuestros casos muestran que, en la fase *Crisálida*, un enfoque combinado en el que el criterio de selección de los candidatos se basa en sus capacidades para sus puestos ofrece resultados positivos. Una vez contratados, el dirigente *hibridador* facilita la colaboración entre empleados con diversas identidades.

Vínculos con la misión y rendimiento

La literatura académica ofrece resultados escasamente concluyentes en lo que respecta al impacto de las estrategias de generación de ingresos propios sobre el rendimiento organizativo (Besharov y Smith, 2014, Gras y Mendoza-Abarca, 2014). Además, los estudiosos han categorizado las estrategias de generación de ingresos propios basándose en el nivel de conexión entre la actividad comercial y la misión organizativa. De esta forma, Alter (2007) distinguía entre EIS *centradas en la misión*, *vinculadas a la misión* y *desvinculadas de la misión*; además, algunos autores han relacionado el carácter central de la misión con las probabilidades de éxito (Dees, 1999). Al final de nuestro análisis, pues, nos hemos preguntado si nuestras híbridas pueden tener un rendimiento positivo ante exigencias múltiples o bien si su rendimiento empeora a raíz de esas lógicas en conflicto (Rodgers, 2015). Nuestras híbridas –la Crisálida (en transición) y la Mariposa (madura)– muestran un rendimiento positivo como resultado de su hibridación. Tal como queda ejemplificado por

nuestros casos, la conexión entre la misión y la empresa social no es suficiente o necesaria para el éxito, aunque puede facilitarlo. En nuestros casos, tanto el Capullo como la Mariposa acometieron estrategias de generación de ingresos propios relacionadas con su misión social. Sin embargo, solo podemos considerar que la segunda obtuviera un rendimiento positivo. El caso que ejemplifica la etapa intermedia –la Crisálida– está operando una estrategia de generación de ingresos propios desvinculada de la misión, aunque ofrece una contribución financiera positiva al presupuesto de la organización. Nuestros casos nos permiten llegar a la conclusión de que, hasta cierto punto, es posible que el papel de los microactores sea más relevante para el rendimiento positivo de la estrategia de generación de ingresos propios que los vínculos existentes entre misión y EIS.

Contribuciones

Nuestras conclusiones apoyan la literatura emergente acerca de las organizaciones híbridas y las organizaciones sin ánimo de lucro (Smith, 2014, Skelcher y Smith, 2015) al fortalecer un *locus* de investigación con categoría propia en la intersección del emprendimiento y la gestión sin ánimo de lucro (*Public Administration Review Symposium*, 2017): las organizaciones sin ánimo de lucro que operan una empresa social deben estudiarse como un subtipo de híbrida con categoría propia. Concretamente, hemos introducido un modelo teórico (Gráfico 7.1) para un proceso de hibridación en este contexto, mostrando una tipología teórica claramente definida de organizaciones híbridas sin ánimo de lucro: *Capullo* (híbrida estancada), *Crisálida* (en transición) y

Mariposa (híbrida madura) y los mecanismos organizativos internos que permiten reconciliar múltiples lógicas en el seno de una sola forma organizativa. En respuesta a la petición de Pache y Santos (2013), también hemos contribuido a tender puentes entre los estudios a escala organizativa y micro, relacionando la hibridación de la organización con las actividades (y hasta la autohibridación) de sus dirigentes. También hemos ampliado la caracterización de las lógicas ideales en competencia, tanto comercial como social, a nuevas dimensiones (Tabla 6.1) que pueden servir de ayuda en el futuro para estudiosos de las organizaciones híbridas que exploren nuevos campos organizativos y empleen la técnica de comparación de patrones (Reay y Jones, 2015). Tal como señalan, a pesar del creciente interés en las lógicas institucionales, las organizaciones híbridas y el emprendimiento social, y la proliferación de publicaciones al respecto, el análisis y la comprensión de los métodos cualitativos empleados para estudiar tales lógicas siguen estando poco desarrollados. También hemos contribuidos a la literatura existente acerca de Empresas Sociales de Integración Laboral (WISE, en su acrónimo inglés) (Battilana, Segul, Santo 2015, Cooney 2006, 2011, Pache y Santos 2013, Spear et al. 2005), dado que Homeboy ha resultado ser un caso avanzado de innovación social evidenciado por la adquisición intencionada de una organización enteramente con ánimo de lucro. Suscribimos la opinión de Seelos y Mair (2017) de que “el hecho de que una idea sea innovadora o no depende de la organización” (p. 199), pero creemos que Homeboy representa un caso avanzado de cambio institucional innovador.

Implicaciones en la práctica

Los estudiosos han documentado (Crossan y Apaydin, 2010) que la investigación acerca de la innovación social no siempre se traduce en un consejo práctico. Tras reflexionar acerca de esa crítica, hemos procurado desarrollar una investigación relevante para los profesionales de organizaciones sin ánimo de lucro, que hacen malabarismos a diario para conciliar exigencias contrarias entre sí en un escenario de recursos reducidos. Las organizaciones sin ánimo de lucro que estén considerando emprender una estrategia de generación de ingresos propios deben ser conscientes de los retos, los riesgos y todas las implicaciones que entraña el proceso de hibridación que están a punto de acometer. Dada la escasez de recursos a la que se enfrentan los dirigentes de organizaciones sin ánimo de lucro, podrían utilizar nuestra propuesta de modelo teórico de hibridación para formular las preguntas adecuadas, entender los retos a los que se enfrentan y disponer de ejemplos de otras organizaciones que ya los hayan superado. Nuestro proceso por fases también puede servir de ayuda a los dirigentes y la directiva de las organizaciones sin ánimo de lucro para sopesar sus prácticas de contratación y comprender el grado de adhesión a las diferentes lógicas de los candidatos potenciales y el impacto que esto tiene en su rendimiento.

Limitaciones

Tal como sucede con cualquier iniciativa de investigación, es preciso detallar las limitaciones del estudio. Al operar con una investigación cualitativa no podemos apoyarnos en inferencias estadísticas para validar nuestras

conclusiones y corremos el riesgo de acabar obteniendo unos resultados idiosincráticos difícilmente extrapolables a otras organizaciones. Tal como se explicaba en nuestro capítulo de Métodos, hemos descrito de forma detallada las características de los casos de nuestra muestra e incluido “descripciones densas” en nuestras conclusiones “para que los lectores evalúen su potencial de transferencia y pertinencia a su propio contexto” (Miles et al. 2014, p.314). Hemos buscado una “generalización analítica” (Yin, 2014) que permite aplicar nuestras conclusiones en otros contextos de baja hibridez con lógicas en conflicto continuado y una lógica predominante en el momento de la fundación. Por ejemplo, las universidades públicas que ponen en marcha filiales generadoras de ingresos (edición de libros, alquiler al público general de residencias y espacios, estudios de postgrado, etc.).

Otras de las limitaciones que cabría señalar en el formato elegido es la concentración geográfica de las organizaciones sin ánimo de lucro de nuestra muestra. Esta aglomeración se explica por la cuestión práctica de que los investigadores necesitaban llevar a cabo un trabajo de campo continuado, manteniendo el contacto para poder desarrollar su credibilidad y la validez interna.

Los datos troncales se recabaron durante un periodo de diez meses, a partir de la primavera de 2016. La necesidad práctica de limitar el periodo de recolección de datos impidió llevar a cabo un seguimiento de la evolución y los resultados de algunas de las actividades planeadas por las organizaciones de nuestra muestra. Solo el tiempo podía permitirnos saber si algunas de las nuevas actividades planeadas como parte de la hibridación tendría los

resultados esperados. En cuanto a Habitat for Humanity Ventura County, falta saber si la transformación de sus espacios de venta al público y el discurso que caracteriza a los ReStores permitirá alcanzar los objetivos de venta previstos. Homeboy Industries acababa de completar la innovadora adquisición de Isidore Recycling, una empresa con ánimo de lucro. Es preciso esperar un tiempo para saber si esta compra no solo ofrece los réditos financieros previstos, sino las nuevas oportunidades laborales para los graduados del programa de HBI.

Por último, señalamos los sesgos que quizá hayamos aportado a la investigación debido a nuestro dilatado contacto con este campo. Aplicamos aquí la “metáfora del viajero” en contraposición a la “metáfora del minero” usada en las entrevistas en profundidad. Partiendo de un enfoque constructivista de la investigación, reiteramos que el conocimiento no es un parámetro dado, sino que “se crea y se negocia” (Ritchie et al. 2014, p.179). En lugar de considerar, pues, que nuestro dilatado contacto con este campo es una debilidad, lo concebimos como una fortaleza que ha facilitado nuestro proceso de descubrimiento y análisis.

Investigación Futura

A lo largo de nuestra investigación nos hemos ido encontrando nuevas líneas por explorar que pasamos a detallar a continuación. Emplazamos a los investigadores a que sigan explorando los microfundamentos de los negocios y la sociedad, así como el papel de los individuos, para explicar las estrategias a escala organizativa y el cambio institucional sobre el terreno. Nuestras conclusiones muestran que, tras dedicar algún tiempo a un entorno institucional

dado (social), algunos individuos inicialmente *monoculturales* (orientación comercial) son capaces de desarrollar su nivel de adhesión a las nuevas lógicas y transformarse en *multiculturales*, esto es, en individuos que se identifican con múltiples lógicas. Entender las características y los antecedentes que contribuyen a esta evolución dinámica puede comportar consecuencias de una importancia considerable para los estudios de microfundamentos y para los profesionales. La literatura de Comportamiento Organizacional (Vora, Jirapom y Casper, 2015) y Liderazgo Transformacional (Sun y Henderson, 2017) podría servir de base para avanzar en esa intrigante línea de investigación,

Prevemos investigaciones adicionales en lo tocante al liderazgo de las organizaciones sin ánimo de lucro que clarifiquen los estilos de liderazgo más apropiados para facilitar una transición exitosa a través de las diversas etapas de nuestro modelo híbrido. ¿Hace falta forzosamente un dirigente con una lógica *comercial* arraigada para acometer la transición de una etapa a la siguiente? Las investigaciones previas acerca de la hibridez han explorado el papel del trasfondo formativo de un CEO en organizaciones híbridas (Pascal, Mersland y More, 2017), con la conclusión de que las instituciones microfinancieras (MFI, en sus siglas en inglés) con un CEO que cuente con una formación reglada en empresariales obtienen un rendimiento financiero y social superior al de las MFI con CEOs provenientes de otros trasfondos formativos. No obstante, consideramos que las conclusiones que hemos alcanzado en lo referente al papel de los microactores en el proceso de hibridación reclaman una reformulación de la cuestión en futuros estudios. Hemos descubierto un

fenómeno adicional que merece ser explorado. ¿Conduce una sólida experiencia profesional en el sector privado previa a mejores resultados financieros y sociales en un contexto de baja hibridez? Las dos organizaciones de nuestra muestra que han adoptado un modelo exitoso de hibridación están dirigidas por individuos que poseen una sólida experiencia corporativa en organizaciones multinacionales estadounidenses y han llevado las riendas de negocios con facturaciones millonarias y plantillas con centenares de empleados. Sigue habiendo una falta de comprensión acerca del impacto que tiene la experiencia corporativa previa de los directores ejecutivos en el rendimiento de las organizaciones sin ánimo de lucro. Nuestras conclusiones indican que esta experiencia corporativa previa de los CEO y director ejecutivo de las organizaciones en nuestra muestra han contribuido considerablemente a su hibridación exitosa. Emplazamos a los investigadores a examinar tales fenómenos. Nos intriga especialmente el caso de Homeboy Industries, puesto que nuestra investigación ha dejado de manifiesto que se trata de una organización que está implantando una nueva lógica sobre el terreno. Su adquisición de una empresa presenta una nueva y atractiva oportunidad de investigación, dado que es posible que estemos asistiendo al desarrollo de un cambio institucional. Proponemos, pues, ampliar nuestro trabajo de campo para comprender si una organización híbrida madura –de acuerdo con nuestra tipología– puede estar contribuyendo a institucionalizar un nuevo campo empresarial social al trasladarse desde una posición central en el campo (sin ánimo de lucro) a una más periférica al adoptar más atributos correspondientes a la lógica comercial. No solo no están sufriendo algún tipo de represalia por su

heterodoxia en las lógicas sobre el terreno, sino que, más bien al contrario, su enfoque híbrido no ha hecho más que legitimarlos. Las repercusiones prácticas de este cambio organizativo pueden tener importantes implicaciones para los estudiosos y profesionales de la esfera institucional y la hibridez. Además, queda por ver si el arreglo *estructural* híbrido, con la organización con ánimo de lucro como filial de la que no lo tiene, comporta un nuevo conjunto de conflictos o tensiones entre lógicas que no está presente en las empresas sociales que ya tienen en marcha bajo el paraguas organizativo sin ánimo de lucro. ¿De qué manera se gestionarían las fronteras entre ambas estructuras?

Reflexión final

Explica Stake (1995):

> El estudio cualitativo de casos es una investigación muy personal […]. La calidad y la utilidad de la investigación no se basa en su reproductibilidad, sino en que el sentido que se genera ofrezca un valor al investigador o al lector. Así, es de esperar una valoración personal del trabajo (p. 135).

Así, ahora que nuestra tesis toca a su fin, reflexionamos acerca de nuestras motivaciones iniciales. En un principio observamos fenómenos muy definidos de empresa social que estimularon nuestro interés académico. Lo que nos han reportado estos casi tres años alternando trabajo de campo y redacción de los contenidos es una admiración más intensa de los individuos que forman parte de estas organizaciones. Una admiración creciente de su trabajo diario y un mayor respeto por el impacto a largo plazo que estas organizaciones sin ánimo

de lucro tienen en nuestras comunidades locales y más allá de ellas. Sin ser conscientes de ello, están abriendo camino como pioneras. En última instancia, la motivación fundamental que tuvimos para entender estos fenómenos fue el deseo de crear una investigación ambidiestra que no solo amplíe nuestra comprensión de un campo de investigación académica, sino que también contribuya a la necesaria mejora del rendimiento económico y social del Tercer Sector.

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APPENDIX A: Social Enterprise as the Ideal Type of Hybrid Organization

Social Entrepreneurship, as a phenomenon-driven field (Austin, Stevenson, & Wei-Skillern, 2006; Dacin, Dacin, & Tracey, 2011; Mair & Marti, 2006; Short et al., 2009) has shown strong growth in the last decades from an academic and practitioner's perspective. From an academic perspective, social entrepreneurship is considered a nascent scientific field, still in its adolescence, with a strong research-base predominantly theoretical in nature with an empirical stream dominated by qualitative methodologies, specifically case studies (Dacin et al., 2011).

In the more than 25+ years of research—see (Waddock & Post, 1991) for one of the earliest mentions—an extensive list of definitions has been developed (see Zahra et al., 2008; Weerawardena & Sullivan Mort, 2006; and Bacq & Janssen, 2011 for a comprehensive review). These definitions reflect the broad range of the phenomena under study, since different types of organizational forms, business models, and legal structures fit under the umbrella term "social entrepreneurship," from for-profit ventures with a social purpose (for example, Benefit Corporations in the US) to Corporate Social Responsibility (CSR) in the corporate arena, to specific applications of social enterprise in the nonprofit sector (Austin et al., 2006). Academics efforts have been made to rationalize the different conceptual understanding of SE. For instance, Dees and Anderson identified two major schools (Dees & Anderson, 2006). On one hand, the American Social Innovation, spearheaded by Bill Drayton and his organization, Ashoka, focused on the individual as a "change agent". On the other hand, the American Social Enterprise School focused on achieving a social mission by

nonprofits' income-generating activities. Later on, other authors built on these typologies (Defourny & Nyssens, 2010), (Bacq & Janssen, 2011) and expanded the geographical reach, including Europe in the analysis. They identified three schools:

1. Earned Income School or Social Enterprise School under Dees and Anderson's leadership, where the enterprise has a central role but the legal form adopted is such of nonprofits dominated by the non-distribution constraint of their profits (Alter, 2004; Boschee, 2003; Cooney, 2006).
2. Social Innovation School, where the individual entrepreneur is a central figure, independently of the legal form used to conduct his/her activities. This almost heroic view of the individual entrepreneur highlights their visionary and innovative approach to solving social issues. Social entrepreneurs are seen as "social innovators" (Austin et al., 2006; Bornstein, 2007; Drayton, 2002).
3. Emergence of Social Enterprise (EMES), a scientific network established in Europe in 1996 by the 15 Member States of the European Union. This school highlighted the centrality of "collective action" as an initiative launched by a group of citizens that explicitly aims to benefit the community where the nature of the economic activity must be linked to the social mission.

Later, scholars added a fourth school to reflect the emergency of a new SE model in the United Kingdom that follows the Third Way Ideology, which was established after the Labour Party came to power in the UK in late 90's

(Hoogendoorn, Pennings, & Thurik, 2010). This school builds on partnership between private, public, and the third sectors. Prime Minister Tony Blair launched the Social Enterprise Coalition and founded the Social Enterprise Unit under the Department of Trade and Industry (DTI). The Community of Interest Company (CIC), a new legal structure to accommodate idiosyncrasies for social enterprises, was introduced in 2004. Equally relevant was the later introduction of the Office of Third Sector (OTS) under the Cabinet Office (formerly Social Enterprise Unit under the DTI). Interestingly, the goods and services sold by the social enterprise can be related or unrelated to the organization's primary mission.

It is not a surprise that, within this complex scenario with divergent schools of thought, social entrepreneurship has been defined as a "contested concept" (N. Choi & Majumdar, 2014), building the case for the impossibility of a universal definition. These authors propose the conceptualization of social entrepreneurship as a "cluster concept", including a number of sub-concepts (social value creation, social entrepreneur, SE organization, market orientation, and social innovation) that can occur in different degrees and combinations; so, even if a phenomena shows fewer of these sub-concepts, the object under study can be considered an instance of the concept. This cluster concept of SE is inclusive and allows for diversity in organizational forms and legal structures. A review of these components follows:

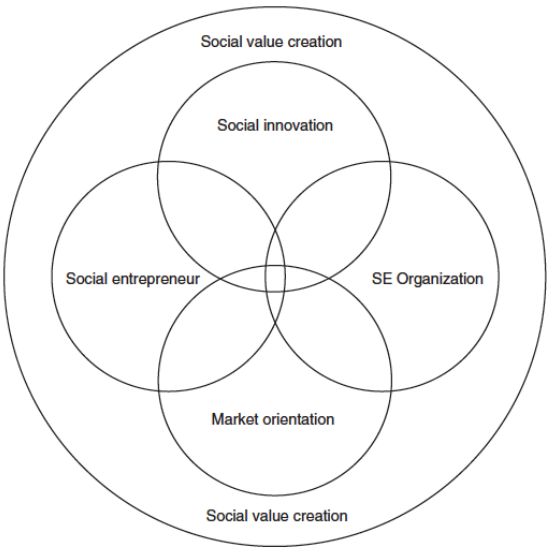
- Social Value Creation: Consensus exists in this property being a prerequisite, almost the *raison d'etre,* for social entrepreneurs and social enterprises. Some identify it as the crucial distinction (Seelos & Mair,

2005), and it is included in multiple definitions with different wording such as social mission (Dees, 1998) or social wealth (Zahra, Gedajlovic, Neubaum, & Shulman, 2009).

- Social Entrepreneur: Understood as the individual that engages in social entrepreneurship, it is in itself an ambiguous concept: some authors see her/him as a visionary, innovative, change-maker (Bacq & Janssen, 2011), while others see her/him as someone that initiates and operates a social purpose organization (N. Choi & Majumdar, 2014).
- Social Enterprise Organization: Usually the SE activities and task are organizing within an organizational structure; for some authors, this is what "sets SE apart from other more loosely structured initiatives aimed at social change, such as activist movements" (Mair & Marti, 2006, p.37). It is important to notice that this organizational framework can expand across all sectors and across all legal structures.
- Market Orientation: This property separates SE from other socially driven organizations that do not include commercial activities as part of their income portfolio. Although it can take different forms, it can be defined as the use of commercial earned income strategies to facilitate organizational sustainability (N. Choi & Majumdar, 2014).
- Social Innovation: Innovation, understood as the purposeful recombination of existing resources (Schumpeter, 1934), is well established as a key attribute in traditional entrepreneurial literature (Alum & Drucker, 1986). However, there is not consensus about this Schumpeterian property being a necessary attribute of SE. See

Beckmann et al. for a dissenting opinion (Beckmann, Zeyen, & Krzeminska, 2014).

Figure A. 1: Social Entrepreneurship as a Cluster Concept



Source: Choi & Majumdar, 2014

As explained before, consensus exists among academic in the description of SE, in its multiple manifestations, as an ideal type of Hybrid Organization, “a ready-made laboratory to study a creative variety of hybrid” (Billis, 2010, p.13), where logics, organizational identities and diverse organization forms emerge. SE combines market logic and social welfare logic. The following table reflects the defining characteristics of these ideal types of logics.

Table A.1: Ideal Logics in Social Enterprises

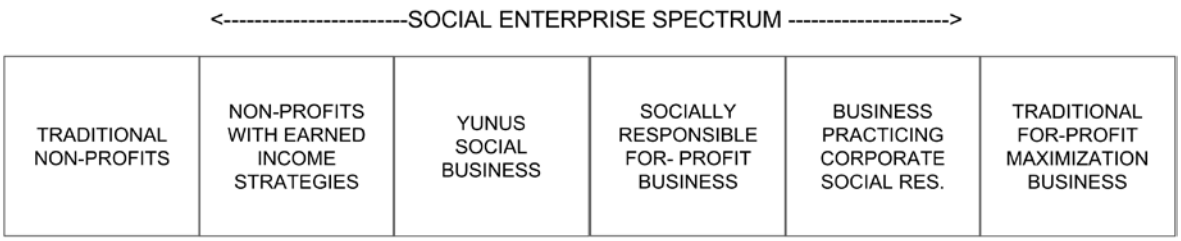
LOGIC CHARACTERISTICS	MARKET LOGIC / CAPITALISM	SOCIAL LOGIC/ PHILANTROPHY
GOAL	• Rational, self interested quest for profit accumulation (Swedberg 2005) • Distribution of profit among shareholders	• Economically irrational, selfless pursuit of social good, concern for humankind (Payton and Moody 2008). Address

	• Profits as the ultimate goal following efficiency principles (cost rationalization + profit maximization)	of social needs. • Non-distribution constraints as the best approach to achieve social goals • Profits as a mean to an end
ORGANIZATIONAL FORM	• For-profit legal structure	• Nonprofit structure with tax-exempt status under US Internal Revenue Code 501(c)(3)
CONTROL / GOVERNANCE	• Hierarchical control • Shareholders/Board	• Democratic control/representation and participation of local stakeholders • Volunteer Board of Directors charged with organizational leadership
PROFESSIONAL LEGITIMACY	• Driven by managerial and technical expertise	• Driven by contribution to social mission
INTER-ORGANIZATIONALS RELATIONSHIP	• Competition	• Collaboration

Source: authors' own draft based on Pache & Santos, 2013b.

Within this complex conceptual context of SE Hybrid Organizations, and in order to facilitate and focus my research effort, I have created my own taxonomy based in Alter's and Humberg's approaches. It ranges from traditional NPOs funded mainly by grants or donations all the way to traditional profit maximization business (PMB) (Alter, 2007; (Humberg, 2011).

Figure A. 2: Social Enterprises - Hybrid Spectrum



Source: authors' own draft, inspired by Alter (2007) and Humberg (2011).

Within this continuum, we choose to concentrate in the second type, defined as

the Nonprofit Organizations (NPOs) with tax-exempt status 501(c)(3) that engaged in some degree of market-based activities for income generation.

APPENDIX B: Nonprofits & Earned Income Strategies – Literature Review

Subfields	References
1. Evidence of a growing EIS trend?	Kerlin, J. A., & Pollak, T. H. (2011). Nonprofit Commercial Revenue A Replacement for Declining Government Grants and Private Contributions? *The American Review of Public Administration, 41*(6), 686-704. Child, C. (2010). Whither the turn? The ambiguous nature of nonprofits' commercial revenue. *Social Forces, 89*(1), 145-161. Cooney, K (2010) *New Approaches to Old Problems: Market-Based Strategies for Poverty Alleviation. Social Service Review. 84 (1) 29-55* Weisbrod, B. A. (2004). The pitfalls of profits. *Standford Social Innovational Review.* Vol.2, Issue 3, p.40,2004 Foster, W., & Bradach, J. (2005). Should nonprofit seek profits? *Harvard business review*, 83(3), 92-100. Froelich, K., 1999. Diversification of revenue strategies: evolving resource dependence in nonprofit organizations. Nonprofit and voluntary sector quarterly, 28 (3), 246–268. Harris, M. (2012): Nonprofits and Business: Toward a Subfield of Nonprofit Studies. *Nonprofit and Voluntary Sector Quarterly.* 41(5) 892-902 Khieng & Dahles (2015) Commercialization in the nonprofit sector: The emergence of social enterprise in Cambodia. Journal of Social Entrepreneurship (6), 2, 218-243Di Zhang, D & Sawanson, 2013. Social Ent in NPO: an empiriccal investigation of synergy between social and business objectives. *Journal of Nonprofit & Public Sector Marketing* 25 (1): 105-125
2. Antecedents	Eikenberry, A. M., & Kluver, J. D. (2004). The marketization of the nonprofit sector: civil society at risk?. Public Administration Review, 64(2), 132-140. Child, C. (2016). Tip of the Iceberg: the Nonprofit Underpinnings of For-Profit Social Enterprise. *Nonprofit and Voluntary Sector Quarterly.* 45(2) 217-237 Robinson, A., & Klein, K. (2007). Selling Social Change (Without Selling Out): Earned Income Strategies for Nonprofits (Vol. 11). John Wiley & Sons. Wesibrood (ed.) (1995), To Profit or Not to Profit: The Commercial Transformation of the Nonprofit Sector, 195-216. Cambridge, UK. Cambridge University Press Young, D.Y. 1998. Commercialism in nonprofit social service organizations.
3. Process/ **Causes**	Corner, P. D., & Ho, M. (2010). How opportunities develop in social entrepreneurship. *Entrepreneurship theory and practice, 34*(4), 635-659. Kirkman, D. M. (2012). Social enterprises: An multi-level framework of the innovation adoption process. *Innovation, 14*(1), 143-155. Perrini, F., Vurro, C., & Costanzo, L. A. (2010). A process-based view of social entrepreneurship: From opportunity identification to scaling-up social change in the case of San Patrignano. *Entrepreneurship and Regional Development, 22*(6), 515-534.
4. Structure	Cooney, K (2011). An Exploratory Study of Social Purpose Business Models in the US. *No profit and Voluntary Sector Quarterly*. 40 (1): 185-196 Cooney, K (2003). Friends or Foes? NPO between business and social work Cooney, K (2006). The institutional and technical structuring of NPO ventures: case study of US HO caught between 2 fields, *Voluntas* Combes, S. M., Morris, M. H., Allen, J. A., & Webb, J. W. (2011). Behavioral Orientations of Non-Profit Boards as a Factor in Entrepreneurial Performance: Does Governance Matter?. *Journal of Management Studies*, *48*(4), 829-856.
5. Performance	Brinckerhoff, P. C. (2000). *Social entrepreneurship: The art of mission-based innovation*: Wiley. Bowman, W. (2011). Financial capacity and sustainability of ordinary nonprofits. *Nonprofit Management and Leadership*, *22*(1), 37-51. Gassman, J., Dolch, N. A., Kinnel, A. M., Krick, S., Schaffer, R. H., & Strom, S.

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APPENDIX C: Initial Sample List

1. Habitat for Humanity Ventura County (Oxnard) – ReStores
2. Community Action Ventura County (Oxnard) – Kayak & Weatherization Services
3. Community Roots Garden (Oxnard) – Farmer for a Day
4. Camarillo Ranch Foundation (Camarillo) – Venue Rental
5. Pleasant Valley Neighbor for Learning (Camarillo) – First Teacher Website
6. One Step a la Vez (Fillmore) – Print Shop
7. Homeboy Industries (Los Angeles) – several social enterprises

APPENDIX D: Interview Protocol – Nonprofits' Informants

Personal Background

What's your educational background? What's your prior work experience?

You joined this organization in 20XX. How did you get involved with this organization?

What's your current role within the organization?

What was it like for you to join a NPO after being in the corporate world for so many years?

If I had been your spouse back in 20XX, what would you have been telling me about your early experience?

Social Enterprise [name]

How do you define/ explain what a social enterprise is? *[If necessary, share our working definition: "Set of activities developed by existing NPOs aiming to generate revenues by providing products or services in a self-sustaining manner, which can be related or not to the NPO's primary mission"]*

What type of SE or EIS is your organization involved in?

How did this [Social Enterprise name] idea get started? Who was behind this project? What was the main motivation behind?

To the best of your knowledge, how was it like to implement this initiative in the early days?

Did it mean a significant departure from the way they used to do things in the organization?

When you joined the organization…

- What was the [Social Enterprise name]'s contribution to total revenues?
- What was your vision for it?
- How did you move it forward?
- Did you find any challenges or difficulties in each step?
- Do you think [Social Enterprise name] helps this nonprofit to achieve the original mission of the organization? Or you see it as indirect contributor by raising the capital?
- To achieve your goal did you have to implement any organizational changes? for instance…

Core Organizational Activities

Workforce composition: Did you think that you have the right people in place to run the [Social Enterprise name] operations? Did you make any changes? Any resistance or detractors? Supporters?

How did you incorporate volunteers?

Organizational design: any changes in structure? Incentives system?

What is the role of the board in this effort?

Inter-organizational relationships:

What are the donors' responses/reactions to [Social Enterprise name] efforts?:

What are the partners'/collaborators' responses/reactions to [Social Enterprise name] efforts?:

Organizational culture/identity: Do you think [Social Enterprise name] is now part of the [nonprofit name] identity, much like [another nonprofit name]?

Measuring Success and Effectiveness

What would you need to see happen in order for you to consider the organization as being successful?

How close/far away is the organization currently from that ideal? (Ask the respondent to calibrate success/failure with specific indicators/metrics.)

Do you keep track of the results achieved by the different programs and activities undertaken by the organization?

How do you assess these results/achievements? Do you have any particular indicator in mind?

Field Level Questions

Are you in touch with other established NPOs (local or beyond) that are trying to establish some sort of Earned Income Strategies?

Which ones are your exemplary organizations? Any personal names that comes to mind?

Additional Interviews

Who else within your organization you think I should be talking to?

Specifically, do you think any of your Board Members should be interviewed?

Closing

Thank you, next steps and follow up.

APPENDIX E: Interview Protocol – Experts

Individual

Could you tell me about your educational and professional background?

What's your connection with the nonprofit world in general and social enterprise in particular?

Field Level

When do you first heard about the idea of social enterprise in the context of established NPOs?

How would you define it?

In your experience, the use of market-based solution within the third sectors is growing or decreasing?

If you see the concept getting momentum, who are the big shakers in this push?

What examples of nonprofits running social enterprises come to mind?

Cases of success? Cases of failure?

Organizational Level

What do you think are some of the reasons WHY these NPOs explore or start social enterprises?

What are some of the challenges that these organizations are facing?

How do they go about overcoming these challenges?

What is behind the successful ones? What does it take to get it right?

What is behind the failure? Why do they fail?

Thank you and wrap up.

Explain follow up and ask for additional contacts.

APPENDIX F: Observation - Field Note

This field note structure was adapted from “contact form” proposed by Miles & Huberman and Ritchie et al. (2014)

Contact Type:

Site:

Date:

Starting Time

Finished Time

Today’s Data

1. Context Description
    a. Physical setting
    b. Human setting
    c. Interactional setting
2. Analytic notes:
    a. What were the issues or themes that struck you in this observation?
    b. Anything else that struck you as salient, interesting, illuminating or important in this contact?
3. Post-observation perceptions
4. Final notes

If applicable, what new or remaining target questions do I have in considering the next contact with this site?