

**BOWING BEFORE DUAL GODS:  
HOW STRUCTURED FLEXIBILITY SUSTAINS ORGANIZATIONAL HYBRIDITY**

Wendy K. Smith

University of Delaware

smithw@udel.edu

Marya L. Besharov

Cornell University

mlb363@cornell.edu

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## **ABSTRACT**

The increasing prevalence and variety of hybrid organizations challenges scholars and practitioners. How do these organizations successfully sustain seemingly incompatible missions and goals over time? Mounting research emphasizes either stable organizational features or dynamic processes. Our in-depth, 10-year study of a social enterprise in Southeast Asia highlights the critical role of both, unfolding how consistent organizational features and shifting enactment processes interact to sustain seemingly incompatible dual missions. We capture these findings in a model of structured flexibility. The model shows how ongoing processual shifts in meanings and practices create flexibility in how leaders enact dual missions. Such flexibility, however, depends on consistent, stable organizational features—in particular, dedicated structures, roles, and relationships that serve as guardrails holding leaders accountable to each mission, as well as leaders' paradoxical cognitive frames that accommodate both contradictory and interdependent relationships between dual missions. By unpacking the interplay between stable and dynamic aspects of dual missions, our structured flexibility model offers new insight into how hybridity unfolds and is sustained over time.

*“It comes from the dual gods that we bow before.” (DDD Board Member)*

*“Part of the secret sauce may be having some flexibility around these issues.” (DDD Senior Manager)*

In November 2000, Jeremy Hockenstein visited the Angkor Wat Temples in Siem Riep, Cambodia. While most tourists marveled at this wonder of the world, Hockenstein was more intrigued by the young, impoverished Cambodians flocking to local internet cafes seeking access to a better life. He wondered what he could do to help. In February, 2001, Hockenstein returned to Cambodia with four friends to explore possibilities. Three months later, they founded Digital Divide Data (DDD), an organization hiring the most disadvantaged citizens into a data entry business, providing them with on-the-job training and formal scholarships, and helping them “graduate” into higher paying jobs. Most people doubted DDD could succeed. Despite an emerging wave of social enterprises, skeptics thought DDD could not sustain both social and business demands in one organization—either social mission costs would diminish their competitive edge in a commoditized industry, or financial pressures would force leaders to compromise key elements of the social mission, such as hiring disadvantaged operators and opening offices in impoverished areas. Yet a decade later, DDD operated four offices across Southeast Asia and Africa, hired over 2,000 people, and graduated over 650 of them into better jobs. DDD also received two prestigious million-dollar awards, from the Skoll and Rockefeller Foundations, to expand its social enterprise model. Thomas Friedman (2005) described Hockenstein as “one of my favorite social entrepreneurs” in his book, *The World is Flat*.

We were initially drawn to DDD to explore how they sustained dual social and business missions over time. Hybrid organizations that combine dual missions are increasingly prevalent, particularly in fields with pluralistic and competing institutional demands (Kraatz and Block, 2008; Greenwood et al., 2011). A growing body of research examines the source, nature, and management of such competing demands (see Battilana, Besharov, and Mitzinnck, 2016). This

work suggests that hybridity is a double-edged sword. Pursuing dual missions can enable organizational sustainability by providing access to additional resources (Wry, Lounsbury, and Jennings, 2014), offering survival benefits from association with multiple well-established organizational forms (Xu, Lu, and Gu, 2014), and sparking organizational innovation and creativity (Dalpiaz, Rindova, and Ravasi, 2016). However, these benefits are often thwarted by ongoing struggles to maintain legitimacy with external stakeholders (Pache and Santos, 2013a) and by persistent conflict between members (Glynn, 2000; Battilana and Dorado, 2010).

Our longitudinal, qualitative study examines this double edged sword of hybridity by investigating how leaders experienced and addressed DDD's dual social and business missions, building theory about organizational structures and processes to sustain hybridity over time. DDD's dual missions centrally informed leaders' understanding of "who we are," creating a hybrid organizational identity. We therefore situate our study within research on hybridity and focus in particular on dualities of identity (see Ashforth and Reingen, 2014; Besharov, 2014; Foreman and Whetten, 2002; Glynn, 2000). Our research departs from existing scholarship on hybridity and hybrid identity in at least three important ways. First, whereas most studies explore dualities within ideographic organizations in which separate groups of members represent each side of the hybrid (e.g., Pratt and Rafaeli, 1997; Glynn, 2000; Ashforth and Reingen, 2014; Battilana et al., 2015; Ramus, Vaccaro, and Brusoni, 2016), DDD is a holographic organization in which members align with and value both sides, providing an opportunity to explore dynamics that are not fully explained by existing research. Second, prior studies tend to emphasize either discrete, relatively stable organizational features (e.g., D'Aunno, Sutton, and Price, 1991; Pache and Santos, 2013a; Almandoz, 2014) or dynamic processes at the individual and group levels (e.g., McPherson and Sauder, 2013; Ashforth and Reingen, 2014; Besharov, 2014; Smets et al.,

2015), providing limited insight into how processes unfold at the organizational level. In contrast, we focus on organization-level senior leadership processes, which are critical to addressing strategic tensions (Jay, 2013; Smith, 2014), while also exploring how consistent organizational features such as structures, roles, and cognitive frames inform these processes. Third, while extant research often considers hybridity over brief periods of time or shows organizations sustaining hybridity in the short term yet subsequently experiencing detrimental dynamics such as intractable conflict or organizational failure (e.g., Battilana and Dorado, 2010; Tracey, Phillips, and Jarvis, 2011; Jay, 2013), we gathered longitudinal data over 10 years and continued to follow DDD for five years following the conclusion of intensive data collection, observing processes that allowed the organization to sustain hybridity over the long term.

Adopting a holographic, processual, and longitudinal perspective led to novel insights into hybridity. As the two epigraphs suggest, sustaining hybridity at DDD involved consistent commitments to the “dual gods” of their social and business missions, coupled with flexible processes for enacting these missions. Specifically, we find ongoing shifts in the meanings and practices associated with dual missions, enabled by two consistent organizational features—structures, roles, and relationships that served as guardrails reinforcing each mission and paradoxical cognitive frames in which leaders viewed the relationship between dual missions as both contradictory and interdependent. We integrate these insights into a grounded theoretical model of “structured flexibility” that depicts how the interaction of consistent features and shifting enactment processes at the organizational level together sustain hybridity.

This model contributes to the literature on organizational hybridity in at least three ways. First, we extend past research emphasizing stability or dynamism in dual missions to show how both aspects critically inform one another to sustain hybridity over time. Second, we re-

conceptualize organization-level commitments to each side of a hybrid, showing how they can be beneficial, rather than detrimental, by catalyzing ongoing flexibility in enactment. Third, we surface the role of cognitive frames as a critical organizational feature to support hybridity. In doing so, we move beyond scholars' labeling of dualities as contradictory or complementary to focus on how informants themselves frame these relationships and show how their paradoxical frames inform outcomes. We also extend organizational identity research by demonstrating how organizations can combine ideographic and holographic forms rather than conforming to just one or the other, and how leaders can actively coopt external stakeholders to help create and maintain a desired organizational identity, rather than reactively responding to outsiders' perceptions.

### **ORGANIZATIONAL HYBRIDITY**

Consistent with existing literature, we define organizational hybridity as the combining of identities, forms, logics, or other core organizational elements that would not conventionally go together (Albert and Whetten, 1985; Battilana, Besharov, and Mitzinnck, 2016). Hybridity manifests across organizations grappling with varied types of competing demands. Mounting environmental pressures spark hybridity in higher education (Kraatz and Block, 2008; Kodeih and Greenwood, 2014), health care (Pratt and Rafaeli, 1997; Reay and Hinings, 2005), and arts organizations (Glynn, 2000; Glynn and Lounsbury, 2005), which embed economic demands and a market logic alongside educational, humanitarian, or aesthetic missions. Other hybrids combine science and business (Murray, 2010; Powell and Sandholtz, 2012), state-planned and market economies (Guthrie, 1999; Nee and Oppen, 2012), or public and private sector management approaches (Denis, Ferlie, and Van Gestel, 2015; Fossetøl et al., 2015). Social-business hybrids, the focus of this study, have similarly been growing in number (Battilana and Lee, 2014).

Scholars have studied hybridity through multiple theoretical lenses, including institutional logics (Battilana and Dorado, 2010; Greenwood et al., 2011; Pache and Santos, 2013a; Dalpiaz, Rindova, and Ravasi, 2016; Ramus, Vaccaro, and Brusoni, 2016), organizational identity (Albert and Whetten, 1985; Golden-Biddle and Rao, 1997; Glynn, 2000; Foreman and Whetten, 2002; Ashforth and Reingen, 2014; Besharov, 2014), and organizational forms (Cooney, 2006; Mair, Robinson, and Hockerts, 2006; Tracey, Phillips, and Jarvis, 2011; Mair, Battilana, and Cardenas, 2012; Powell and Sandholtz, 2012; Lee and Jay, 2015). Each of these lenses addresses aspects of our empirical context. We observed DDD's external stakeholders adhering to different institutional logics—socially constructed, historical patterns of beliefs and practices that provide a “set of assumptions and values... about how to interpret organizational reality, what constitutes appropriate behavior, and how to succeed” (Thornton and Ocasio, 1999: 804; see also Friedland and Alford, 1991; Thornton, Ocasio, and Lounsbury, 2012). We saw insiders and outsiders who understood DDD as having both a utilitarian identity as a business and normative identity as a mission-driven organization dedicated to social change, reflecting distinct views about the central, enduring, and distinctive features that define the organization (Albert and Whetten, 1985; Gioia, Patvardhan, Hamilton, and Corley, 2013). We further noted that DDD combined aspects of multiple organizational forms—archetypal configurations of organizational structures and practices that are “given coherence by underlying values regarded as appropriate within an institutional context” (Greenwood and Suddaby, 2006: 36; Greenwood and Hinings, 1988, 1993; Tolbert, David, and Sine, 2011)—such as business development and revenue generation practices typical of for-profit businesses as well as charitable donations and volunteer labor practices typical of nonprofits. While individual studies drawing on each of these lenses focus on different aspects of the phenomenon, they collectively highlight that hybridity

creates competing demands and inherent tensions (Battilana, Besharov, and Mitzinneck, 2016). In our study, we emphasize organizational identity, because our data show that DDD's dual social and business missions critically informed leaders' and members' understandings of "who we are" and "what we do" as an organization.

Early research primarily adopted a dichotomous approach to depict organizations as either hybrids or not. More recent work, however, suggests that exploring multiple, continuous dimensions of hybridity offers more nuanced insights (Battilana, Besharov, and Mitzinneck, 2016). Besharov and Smith (2014) propose two key dimensions of variation: the degree to which both sides of competing demands are central to organizational functioning ("centrality") and the degree to which they are compatible with one other ("compatibility"). According to this typology, social enterprises such as DDD illustrate "contested" organizations in which both sides of competing demands are central to organizational functioning yet offer seemingly incompatible guides to action. Sustaining hybridity in contested organizations is particularly challenging because competing demands continually vie for dominance (Besharov and Smith, 2014).

An emerging body of research explores the nature of contested hybrids, illuminating the challenges they face as well as strategies and practices for managing them. We note three features that characterize this research, while also pointing to gaps in the literature. First, scholars distinguish between "ideographic" hybrids in which separate subgroups represent alternative sides and "holographic" hybrids in which all members embrace and value both sides (Albert and Whetten, 1985). Even as many organizations may be holographic hybrids (Pratt, 2016), extant studies tend to focus on the nature and challenges of ideographic hybrids (e.g., Ashforth and Reingen, 2014). This research shows how distinct values and beliefs held by different subgroups create contestation (Pratt and Rafaeli, 1997; Anteby and Wrzesniewski,



2014; Besharov, 2014), which can escalate into ongoing and often intractable conflict (Fiol, Pratt, and O'Connor, 2009; Battilana and Dorado, 2010). For example, Glynn (2000) describes how Atlanta Symphony Orchestra musicians and administrators formed subgroups, each one holding a different understanding of the organization's identity as an artistic or economic entity, respectively. These differences endured over time, creating ongoing tensions and conflict that became particularly challenging during salary negotiations. The limited empirical research on holographic hybrids suggests they face different challenges, notably that members often avoid tensions between identities (Golden-Biddle and Rao, 1997), creating a risk that one side overpowers the other (Tracey, Phillips, and Jarvis, 2011; Smith, 2014). Yet we still know little about the nature of the challenges in holographic organizations and how they unfold over time.

Second, extant studies explore how organizations and their members address the challenges of hybridity, again focusing primarily on ideographic hybrids. One stream of work emphasizes discrete organization-level strategies, structures, and practices that can mitigate conflict in hybrids. For example, Battilana and Dorado (2010) highlight the role of hiring and socialization practices in their comparative study of two microfinance organizations. They find that hiring some frontline employees from a commercial banking background and others from a development background fostered internal subgroups that became entrenched in intractable conflict. In contrast, hiring employees with experience in neither banking nor development and socializing them to focus on operational performance, rather than on the competing values associated with banking and development, fostered hybrid sustainability. In a study of French social enterprises, Pache and Santos (2013a) find that structures and practices that selectively couple elements of the social welfare logic held by state actors with elements of the commercial logic held by private investors enable organizations to appease both groups. Studying the same

context, Battilana and colleagues (2015) find that conflict is mitigated through practices to create “spaces of negotiation” in which employees responsible for different sides of competing demands interact and work through disagreements. Ramus, Vaccaro, and Brusoni (2016) show how the combination and sequencing of formalization and collaboration practices influence whether organizations can mitigate conflict and sustain competing demands.

While this research focuses on stable organization-level features, it often implies underlying processual dynamics. For example, socialization involves employees developing new understandings of dual missions over time (see Battilana and Dorado, 2010). In spaces of negotiation, individuals adhering to alternative sides of competing demands interact to find common ground (Battilana et al., 2015). Shifting from formalization to collaboration practices also implies an underlying process, as employees first develop formal measures associated with each competing demand and then work together to develop compromises between them (Ramus, Vaccaro, and Brusoni, 2016). Yet as Ramus and colleagues (2016) note, to fully understand these processual dynamics we need “an ethnographic, longitudinal approach that explores how organizations’ members make sense of organizational tensions.”

Another stream of work focuses more directly on ongoing processes in hybrids, emphasizing dynamics at the individual and group levels. For example, Ashforth and Reingen (2014) show how conflict unfolded in natural foods cooperative between subgroups committed to the idealistic and pragmatic sides of the organization’s identity. Oscillating shifts in decisions and power, as well as rituals to maintain and repair relationships, held the subgroups together and sustained both the idealist and pragmatist sides of the hybrid. In another study of a natural foods organization, Besharov (2014) unpacks the processes through which “pluralist” managers mitigate conflict between subgroups of frontline workers who value different sides of the hybrid.

Other studies focus on processes that facilitate members' work practices, enabling them to enact both sides of a hybrid (McPherson and Sauder, 2013; Smets et al., 2015). This research provides novel insights into how individuals and groups manage the challenges of hybridity, but it leaves strategic, organization-level processes unexplained.

Third, in-depth data on hybridity at the organizational level generally cover relatively short periods of time, limiting possibilities for processual insights into long-term sustainability. Studies draw on data covering a period of less than five years (e.g., Jay, 2013), show short bursts of sustaining hybridity but detrimental dynamics such as organizational failure over the long term (e.g., Tracey, Phillips, and Jarvis, 2011), or focus on processes within discrete sub-periods without explaining how and why shifts occur between time periods (e.g., Dalpiaz, Rindova, and Ravasi, 2016; Ramus, Vaccaro, and Brusoni, 2016). As a result, we lack in-depth understanding of how organizational processes for enacting and sustaining hybridity unfold over time, especially in holographic hybrids. Our study of DDD addresses these critical research gaps.

## **METHODS**

We used a qualitative, inductive research design appropriate for building theory about complex organizational processes that are not well understood from prior research (Edmondson and McManus, 2007; Gioia, Corley, and Hamilton, 2013). Focusing on the single, “unusually revelatory” case of Digital Divide Data allowed us to surface insights that might not be as visible in other more “typical” cases (Siggelkow, 2007; Eisenhardt, Graebner, and Sonenshein, 2016). Gathering in-depth longitudinal data over 10 years enabled us to examine how processes unfold over time (Langley et al., 2013).

## Data Collection

We collected interview, observation, and archival data that span DDD's first 10 years. We selected data that allowed us to explore our phenomenon by both "following forward" and "tracing backwards" (Langley and Tsoukas, 2010). We became aware of DDD at its inception, as one of the authors was a colleague of the founder. This author observed the organization in its early years (2000-2004), conducting a first set of interviews and observations at this time, including travelling to Cambodia to interview local managers and operators. Collaboratively, both authors collected additional data from 2005 through 2010, including taking a second trip to Cambodia. This approach allowed us to follow events forward as they unfolded. To trace events backwards, we drew on over 3,000 archival documents, many of which provided detailed internal information about DDD's first five years. Table 1 summarizes the data we analyzed.

----- Insert Table 1 about here -----

**Interviews.** We conducted 34 semi-structured interviews with informants, including the founder/CEO (4), managers (16), board members (9), operators (4), and an external advisor (1). Early insights from our data collection indicated that tensions between DDD's dual missions primarily arose in strategic issues confronting senior leadership, in contrast to other studies of hybridity in which tensions manifest among frontline workers (Battilana and Dorado, 2010; Ashforth and Reingen, 2014; Besharov, 2014). We therefore focused our inquiry and subsequent interviews on senior leadership (managers and board members), using discussions with frontline operators and the external advisor to support our emerging insights.

To understand how DDD sustained hybridity, we asked interviewees to reflect on the social and business missions, the relationship between them, and practices for enacting them. To increase interview data trustworthiness, we adopted a courtroom interviewing style (Eisenhardt

and Graebner, 2007) in which we asked informants to describe specific, concrete events and how they unfolded over time. Interviews lasted between 45 minutes and two hours. We recorded and transcribed 23 interviews. For the others, we took extensive notes in real time, typed them within 24 hours, and when possible, compared notes across authors to increase accuracy.

**Observation.** Direct observation provided additional data about how DDD sustained hybridity. One of the authors travelled to Cambodia in 2005 and in 2010 for five days each, observing the organization's operations, meeting with local informants, and attending a three-day board meeting. Both authors also observed a two-day board meeting and a one-day senior management retreat in North America. We took extensive notes and typed them within 24 hours. For the North American meetings, we compared notes across authors to increase accuracy.

**Archival documents.** A particular strength of our data is over 3,000 archival, primarily internal documents. We had access to all documents from the founder's computer dating back to DDD's origins in his November 1999 trip to Siem Riep. These documents include business plans, grant applications, diary entries about early experiences in Cambodia, and personal correspondence between DDD's early leaders. We also had access to agendas and minutes for all board meetings from the organization's founding through 2010. We categorized and reviewed all 3,000 documents. From these documents, we relied primarily on 295 that provided the most relevant and detailed insight into our research question (see Table 1).

## **Data Analysis**

We adopted prescribed analytical techniques to move from raw data to theoretical interpretations. Following established guidelines for inductive theory building in the organizational sciences, particularly those focused on process research methods, we iterated between data collection, analysis, and existing literature to generate insights (Langley, 1999;

Gioia, Corley, and Hamilton, 2013; Eisenhardt, Graebner, and Sonenshein, 2016). While this process was not linear, for clarity we delineate below the key analytical stages.

We first developed a rich case study that integrated the various sources of data. The case included a timeline of events, a list of stakeholders including DDD managers, board members, and partner organizations, and a thick description of how events unfolded over time (Langley, 1999). Three key insights emerged from the case history and guided our subsequent analysis. First, we noted that leaders tended to understand “who we are” and “what we do” in terms of DDD’s dual social and business missions, which informed their strategic decisions and actions. This observation led us to draw on the literature on organizational identity as we analyzed the data. Second, we noted continual shifts in how leaders enacted DDD’s social and business missions across the 10-year time period. Leaders repeatedly reinterpreted the meaning of their dual missions and experimented with varied operational practices associated with different meanings, often pursuing multiple practices at the same time. Yet even as meanings and practices shifted, leaders continually strengthened their commitment to both missions. This insight led us to delineate more specifically what shifted and what remained stable over time. Third, we found that major shifts in meanings and practices unfolded in three eras over the 10-year time period. Between 2001 and 2004, leaders focused primarily on helping the most disadvantaged citizens in Southeast Asia by hiring them to work in their fledgling IT outsourcing business and supporting their further education and skill development. Between 2005 and 2008, leaders shifted their focus toward building a sustainable business, under the belief that they could best help people advance by ensuring the business they worked in was successful. In 2009 and 2010, meanings and practices shifted again toward expanding social impact yet doing so in an operationally sustainable way. This insight led us to focus our subsequent analyses not only on

flexibility in meanings and practices within each era, but also on how this flexibility enabled broader shifts between eras in the relative emphasis on the social and business missions.

In the second stage of the analysis, we returned to the raw data to unpack the processes associated with shifting meanings and practices in more depth. Building on our initial insights, we adopted a “temporal bracketing” technique (Langley, 1999), splitting our data into the three eras and engaging in open coding within each era. By comparing codes within and across eras, we identified common empirical themes. We iterated among empirical themes and between the themes and relevant literature in order to move from first-order open codes to second-order conceptual categories. Where relevant, we drew on constructs from the literature to label our conceptual categories. For example, in each era, we noticed that leaders’ understanding of the relationship between the social and business missions seemed to inform how they managed these dual missions. At a 2009 North American management retreat that we attended, the managers exclaimed: “DDD is essentially a paradox.” Our observation and this exclamation led us to the paradox literature, which depicts paradoxical frames as beliefs that organizational elements, such as the components of a hybrid identity, are both contradictory and interdependent (Smith and Tushman, 2005; Miron-Spektor, Erez, and Naveh, 2011; Smith and Lewis, 2011). As we further unpacked leaders’ understanding of their dual missions, we found that they described the relationship between them as both contradictory—i.e., distinct and prescribing alternative courses of action—and interdependent—i.e., synergistic and both necessary for long-term success. We capture this understanding with the conceptual category of “paradoxical frames.”

In addition, as noted above, we found that leaders continually reinterpreted DDD’s social and business missions, and that these interpretations critically informed leaders’ sense of “who we are” as an organization. Drawing on existing literature on organizational identity labels and

meanings (Gioia, Schultz, and Corley, 2000), we created the conceptual category of “reinterpreting identity meaning” to capture these ongoing interpretive practices. Another conceptual category emerged from three distinct empirical themes involving internal leaders, organizational structures, and external stakeholders associated with each mission, all three of which served a similar function: they acted as stewards of the missions, serving as a check on practices that emphasized one mission at the expense of the other. To capture this common role, we grouped these themes together and introduced the conceptual category of “guardrails.”

In the third phase of analysis, we examined the relationships between conceptual categories to build a theoretical model. At this stage, we continued to engage both the data and the literature to understand not just how categories were related but also why (Whetten, 1989). This led us to understand one set of conceptual categories as key elements of the “enactment process” through which leaders actively surface tensions and shift the meanings and practices associated with dual missions, and to identify two other conceptual categories as consistent organizational features that functioned as “enabling conditions” facilitating ongoing shifts in enactment. We label this overall model “structured flexibility” to highlight the critical interplay between stable features and dynamic processes. Figure 1 shows the first-order codes and conceptual categories associated with each aggregate dimension, and Figure 2 depicts the resulting theoretical model of structured flexibility.

----- Insert Figures 1 and 2 about here -----

Throughout the data collection and analysis process, we took steps to ensure the trustworthiness of our findings. First, we became enmeshed with the organization over time, allowing us to gain greater insight into subtle details (Lincoln and Guba, 1985). Second, we used varied sources of data and interviewed informants at multiple organizational levels to triangulate



perspectives (Jick, 1979; Eisenhardt, 1989). Third, combining real time and retrospective data allowed us to gain more robust insights across the 10-year time period and minimized bias from any single perspective (Leonard-Barton, 1990; Eisenhardt and Graebner, 2007). Fourth, we wrote thick descriptions and shared them with key informants in DDD to capture the rich context over time and ensure the quality of our data analysis (Langley, 2007). Finally, we engaged outside researchers to review our emergent constructs and theoretical model, increasing the reliability and validity of our interpretations (Lincoln and Guba, 1985).

In the findings section below, we detail the enactment process and its enabling conditions. We unfold the narrative by era to emphasize repetition over time (see Denis et al., 2011). Within each era, we describe the enactment process sequentially. To convey the enabling role of guardrails and paradoxical frames, we introduce each feature when it impacts enactment. We supplement the data described in our findings narrative with additional “proof quotes” for each conceptual category in Table 2 (Pratt, 2009). In the discussion section, we integrate our key constructs with existing literature to propose a grounded theoretical model of how structured flexibility sustains organizational hybridity (see Figure 2).

----- Insert Table 2 about here -----

## **STRUCTURED FLEXIBILITY AT DIGITAL DIVIDE DATA**

### **Helping the Most Disadvantaged (2001-2004)**

**Interpreting Identity Meaning.** In 2000, Jeremy Hockenstein visited Asia. While in Hong Kong, fellow travelers recommended that he see the Angkor Wat Temples in Cambodia, one of the Seven Wonders of the World. Hockenstein went, but as he later described, the people not the temples captured his attention and planted the seeds for Digital Divide Data:

It was the people I met who were most striking. I saw internet cafes and English schools on many street corners. My taxi driver spent 25% of his \$2 daily income on English lessons each morning in the belief that it would help create a better future for his family. I met leaders of local NGOs

who had started with no outside help and had organized subsidized computer and English courses for poor Cambodians. In talking to these people, however, I learned that most of the graduates of the programs could not find jobs, as there were not many opportunities. The few that existed rarely went to disabled and disadvantaged people... I realized then that I had the *opportunity and the obligation to do something to help the Cambodians I met rebuild [their economy after the consequence of genocide]*. Digital Divide Data was born. (Grant2, emphasis ours)

Hockenstein was moved to help these citizens, in part because their plight reflected his own. As he explained: “My mother was born in a concentration camp [in World War II]... so there was a certain resonance, a connection for Jews because of the shared bond of genocide” (Media2). Moreover, Hockenstein’s background as an international leader of a youth group during high school and later as a director in a nonprofit organization gave him experience working toward a social mission. At the same time, as the quotation above indicates, Hockenstein observed the limitations of existing nonprofit training programs for helping Cambodians find jobs. Drawing on his recently acquired MBA and experience in management consulting, he envisioned creating a business that could help people.

Back in the United States, Hockenstein convinced four friends—two social workers and two business and technology consultants—to return to Cambodia with him the following February to explore possibilities. During this trip, these five founders talked with Cambodians who described large non-governmental organizations (NGOs) as wealthy, corrupt, and ineffective. The co-founders also volunteered at a local nonprofit training program where they saw firsthand participants’ frustrations of not being able to find a job that used their new skills. Armed with these experiences and their nonprofit and business backgrounds, the group developed a funding proposal for an organization that was neither a traditional nonprofit nor a traditional business but a combination of the two. They named it the Follow Your Dreams Foundation, reflecting their view that it would make a difference in the world by helping disadvantaged people “follow [their] dreams.” Yet even as they first called the organization a

“foundation,” they described it as a “nonprofit business” (BusinessPlan2), explaining that it would run a business “creat[ing] well-paying technology related jobs” (Grant1). A few years later, the first board president similarly stressed that DDD was a “company,” but one committed to helping people: “Jeremy and I need to make a living, but we can make a living in a lot of ways. The reason that we are in this is because we see this as an opportunity to help people out of poverty... We don’t want to just be another company” (B09). The formal vision and mission statements leaders adopted reinforce their commitment to a hybrid social and business identity, combining a social mission to “create better futures for disadvantaged people in the developing world” and a business mission to run “sustainable technology-related enterprises” (Board4).

Leaders initially interpreted DDD’s hybrid identity broadly. They saw DDD as helping people who “would have difficulty gaining well-paying jobs and joining the global economy,” such as “Cambodians from impoverished backgrounds, women (particularly those who are vulnerable to being drawn into sex-related jobs), [and] Cambodians who have lost legs to land mines (or have other disabilities)” (BusinessPlan1). While their business would start with “data entry projects” requiring limited skills, leaders envisioned DDD becoming a “technology ‘solutions provider’ which will sign contracts with local (or foreign) organizations to create and install software and hardware solutions” (Grant1). As we describe below, the social and business missions continued to define their hybrid identity over time, even as this initial interpretation of “who we are” and “what we do” shifted as leaders confronted tensions between the two missions.

**Paradoxical Frames.** Leaders adopted a complex understanding of the relationship between DDD’s dual missions, describing them as both interdependent and contradictory. Their first funding proposal talked about achieving the social mission *through* the business mission: they would help people follow their dreams by employing and training them in an information

technology business (Grant1). In this way, they depicted their dual mission interdependently, each one relying on the other for success. Yet this same document articulated separate and conflicting priorities associated with running a business and helping people, stating: “Our first priority is providing high-quality services and therefore we require the best talent Cambodia has to offer; we believe this is essential in order to establish a strong reputation for excellence that will in turn bring more work to the country over time... Beyond this requirement, we would like to focus on individuals who, without our intervention, would have difficulty gaining well-paying jobs and joining the global economy” (Grant1).

Leaders’ framing of their dual missions as both interdependent and contradictory was further evident in contrast to external stakeholders who focused only on the missions’ conflicts, not on their synergies. When DDD was founded, the term “social enterprise” was starting to be used to describe organizations with for-profit and nonprofit elements, yet how organizations integrated these elements was not clear. Academics and the media primarily used the term “social enterprise” to refer to nonprofits that borrowed ideas from the-profit sector but did not typically earn revenues from customers. For example, articles published in the mainstream media described social enterprises as “entrepreneurial, largely nonprofit” organizations (Hunt, 2000) and depicted social entrepreneurs as “people who find practical solutions to social problems by combining innovation, opportunity and resourcefulness” (Stecklow, 2001). Gregory Dees, an early social enterprise scholar, observed that in the early 2000s, “a lot of folks who were interested in social issues saw business as part of the problem” rather than the solution (quoted in Finder, 2005). DDD’s leaders diverged from this dominant perspective by pursuing a social mission through a revenue-generating business and viewing the two missions as mutually beneficial. An early interaction with the media highlighted this difference. In July 2001, the

Boston Globe ran a story criticizing DDD for “exploiting low-wage, Third World workers as a source of cheap labor” by paying them only \$.40/hour (Media1). As Hockenstein explained in a letter to the editor, the Globe failed to see how DDD’s business could *both* generate profits *and* positively benefit their operators and the Cambodian economy.

**Surfacing Strategic Tensions.** As the co-founders launched DDD, their dual missions implied contradictory actions around key strategic issues such as where to locate their first office and who to hire. Committed to pursuing both missions within a single organization and accepting of the contradictions between them, leaders actively discussed these issues, surfacing rather than avoiding strategic tensions. As one of DDD’s first managers noted: “We always had a healthy debate between the social enterprise and business” (M34).

First, they grappled with where to locate their office. Over 80% of Cambodia’s population lived in impoverished rural villages disconnected from the global economy (World Bank). In their initial business plan, the founders described a vision to open offices in these villages, where they perceived the greatest need for economic development:

Our ultimate vision is to find a way to help rural villagers – in Cambodia and then beyond – to earn incomes through providing IT-related services to foreign companies. While we recognize that entrepreneurs are currently establishing data entry facilities in developing countries, we do not know of any attempts to do this in rural villages. We believe that it is necessary to establish a philanthropic entity which will ensure that the profits from this project are used to benefit the workers and village community. (BusinessPlan1)

Yet Cambodia’s two main cities—Phnom Penh, the capital city and commercial center, and Battambang, a smaller urban center—offered greater access to key resources such as electricity, transportation, and the internet. Leaders decided to open their first office in Phnom Penh to take advantage of these resources, but they continued to grapple with opening rural offices. In July 2001, an announcement about the opening of their Phnom Penh office stated: “Our first office is in Phnom Penh and we plan to eventually expand to more rural settings” (Communication1). At

their first board meeting in February 2002, they debated rural expansion in a discussion of “branch office plans” (Board1).

Second, the founders faced tensions around who to hire. In trying to hire their first cohort of operators, they realized that very few candidates fit both business plan criteria of being “the best talent Cambodia had to offer” and the “most disadvantaged” (BusinessPlan1). People from their target disadvantaged groups—orphans, rural villagers, women rescued from sex trafficking, and the physically handicapped—often left school at a young age to earn money and had limited English and computer skills. One manager noted that initial applicants typed approximately eight words per minute and knew very little about technology. Another manager described many late nights in their early days redoing work from operators who did not know how to save their files.

**Experimenting with Practices.** Leaders tried different approaches to address these hiring and growth tensions, without making extensive financial or cognitive commitments to any one of them. While they initially operated in Phnom Penh, they hired people who had come to the city from rural villages looking for jobs, reasoning that if they could not open their first office in a rural village, they could at least hire people from such areas. An American manager working in Cambodia described potential rural offices as a “thatched hut dream” (M34), and their Spring 2002 newsletter noted:

If Jeremy Hockenstein had his way, motorcycle couriers will soon be racing between remote Cambodian outposts, carrying bags filled with CD-ROMs of digitized information for clients on the other side of the world. (Communications2)

Soon after opening the Phnom Penh office, leaders started exploring sites for rural expansion. In Fall 2001, they developed a memorandum of understanding to partner with the NGO Kean Svey to jointly open an office in a rural village (InternalAnalysis3), although that program never launched. In 2002, they piloted a partnership with the NGO Cambodia Business Integrated Rural Development to operate a temporary office out of rented space in Battambang, a

project which lasted a few months. Finally, in February 2003, the American manager in Cambodia and the board president conducted a feasibility trip to rural villages to explore directly opening an office there. Their trip report explained: “The group [of DDD leaders and board members] continues to be excited about the possibility of realizing our aspirations of establishing a rural Cambodia office” (InternalAnalysis4). The document identified potential locations and organizational partners working in the region. But further exploration revealed deep challenges. A new analysis in April 2003 highlighted the high financial costs of “recruiting an appropriate staff... stable electricity... and internet connectivity.” (InternalAnalysis5). The report also noted potential social costs, explaining that “the development literature is full of examples of rural development projects that have failed. Even worse are projects that not only fail, but do harm to the communities that they were trying to help” (InternalAnalysis5).

Even while considering offices in rural villages, leaders explored other expansion locations. In February 2003, the board president conducted a feasibility trip to Battambang, Cambodia and Vientiane, Laos. In August 2003, DDD opened an office in Battambang, and in December, they opened one in Vientiane. While neither of these locations directly realized the American manager’s “thatched hut dream,” they offered opportunities to fulfill DDD’s social mission in other ways. Battambang served as an urban center for nearby rural villages and allowed DDD to hire many people from these locations, while Laos was similar to Cambodia in its economic challenges and demonstrated “a clear need for the kind of job creation program that DDD offers” (InternalAnalysis6). In this way, even as leaders never opened a “thatched hut” office in a rural village, their approach to growth prioritized expansion to spread the social mission to new locations where they could reach more impoverished people.

To experiment with hiring practices, the founders partnered with nonprofits that trained disadvantaged citizens. Struggling to find people who were both skilled and disadvantaged, they started supporting technology classes at NGOs for disadvantaged citizens and hiring the most talented graduates from these programs. They first worked with Cambodian Volunteers for Community Development (CVCD), securing a grant to develop a customized training course focused on specific operator skills (Legal1). Based on the success of this program, they developed additional partnerships, also funded by grants that covered training costs. For example, with a grant from the United States Agency for International Development they worked with the Cambodian Women’s Crisis Center (CWCC), an organization that rescued women from sex trafficking. They hired 18 women from CWCC in 2003 and 2004. Although the intent of these programs was to develop and hire skilled, disadvantaged workers, over time managers ended up prioritizing disadvantage. As their Cambodian HR manager described in 2004:

I pick out the priority ones [to hire]. The disabled as a priority, or the orphans who are living at the Temple or Pagoda. And then I look at the rural migrants from the province. I look at the statistics in DDD and how many are from each province. So I have to balance. I look at their background and their family situation, and I have to make a short list... We don’t care about their skills or experience. When we get the new employees, we must train them for three months to use our software and other processes that we use. (M06)

**Guardrails.** As we describe below, hiring and growth practices that increasingly emphasized the social mission “bumped up” against the business mission in 2004. To explain how that happened, we first detail the structures, roles, and relationships dedicated to supporting each mission. We label these features as “guardrails” because, similar to those on a road, they kept the organization from swerving too far toward one mission or the other.

As the founders set up DDD between 2001 and 2004, they developed external partnerships aligned with each mission. Given the nascent stage of the social enterprise field and outsiders’ perceptions of social enterprise as a primarily nonprofit endeavor, there were few peer



organizations with commitments to both social and business missions. Leaders instead built relationships with traditional nonprofits and for-profits. For example, the Executive Director of CVCD, the nonprofit training organization, joined an early DDD advisory board, along with several other nonprofit leaders. Leaders also forged partnerships with for-profit organizations, including Cyberdata, a data outsourcing firm in India that helped them learn the operational aspects of the outsourcing business. Cyberdata's CEO sat on DDD's early advisory board, and leaders maintained a relationship with the firm over time, sharing work when client needs surpassed DDD operators' capabilities.

Leaders' backgrounds and internal roles also tended to align with either the social or business missions. As noted above, the co-founders who travelled to Cambodia with Hockenstein in February 2001 included two social workers and two business leaders. The Phnom Penh office was initially staffed with two expatriates, one who had worked in banking and the other who had worked for NGOs, and two local Cambodians, one who was an entrepreneur and the other with NGO experience. The formal board of directors, established in 2004, similarly included people with business backgrounds, including the former leader of a multi-million dollar business unit of a large public company in the US, as well as individuals with nonprofit experience, such as a senior leader from the International Finance Corporation, the private arm of the World Bank that specialized in supporting developing regions. In addition, as leaders established formal roles, they tasked the HR manager with primary responsibility for the social mission, while the general manager of each office focused mainly on business operations.

**Bumping Up.** In 2004, stewards of the business mission began raising concerns about how hiring and growth practices emphasized the social mission and threatened DDD's financial

and operational viability. The General Manager in Phnom Penh questioned the efficacy of DDD's hiring practices, noting particular problems with the women rescued from sex trafficking:

We have some problem with women who are from the [women's training program]. They are very low education and skills, most are in bad mood. They are hardly improve English, computer, speed, etc. These make our income low too (-7%). (Board2)

The newly hired North American VP of Sales and Business Solutions, who held an MBA and had a business background, expressed ongoing frustration about project timeliness and quality due to operators' low skills, which limited DDD's ability to effectively compete for clients. Others raised concerns about growth. After learning more about rural locations, the board president noted that their "thatched hut dream might actually be a thatched hut nightmare" (B09).

Concerns about DDD's financial viability peaked at the October 2004 board meeting. The manager of a multi-million dollar business unit had just joined the board. Reviewing DDD's finances at this meeting, he cautioned that their inspiring social mission would not compensate for their dire financial situation:

[DDD] had good support from the World Bank and IFC for considerable funding. They won a prize through the IFC that gave them access to both the money and also some pretty good advice... [The founder] with his magnetic personality attracted a lot of really bright people, young people often times with very little experience, who were willing to work for almost nothing and would agree to go work in Cambodia for even less. But... I went to a board meeting where they presented some financial reports... and being somewhat experienced in the financial end of the world [I evaluated them] operationally as a business, *and I said do you realize this company is bankrupt in less than three-months*. That was a surprise to them. Bankrupt meaning they were out of cash, and they had no cash coming in. (B19, emphasis ours)

## **Building a Sustainable Business (2005-2008)**

**Paradoxical Frames.** In order to succeed as a social enterprise, DDD needed to address the financial viability concerns raised in 2004. Leaders' understanding of the relationship between the social and business missions informed how they grappled with this challenge. Hockenstein recognized the contradictory demands imposed by the two missions, noting that "managing a social mission and helping people, and keeping costs down—those can be in

conflict” (C08). Yet he continued to frame the two missions as integrated within a single organization, describing DDD as a “nonprofit company” (C08).

Between 2005 and 2008, other senior managers and board members adopted this paradoxical frame. For example, newly recruited board members described close connections as well as inherent conflicts between the social mission and the business:

DDD has a sustainable business plan over time. They weren't just asking for donations for their operating expenses but rather for growth, and for [educational] scholarships, and [they] had a pretty sound business mission for long-term sustainability. That is what attracted me to it, the combination of a true business and figuring out how to be competitive in a for-profit world with this nonprofit with a social mission. (B19)

Everybody gets both sides, otherwise they wouldn't be asked to be on the board. Some people are sort of hard-nosed business guys, but it's all clearly understood... Both missions have to be served. One mission may have primacy at certain times, and one may have to have it at others, but both have to be served at all times.” (B20)

Similarly, the general manager of the Vientiane office, a recent MBA graduate, described DDD’s unique approach in using a business to pursue a social mission as motivation to take the job: “I wanted a job that I can use my business knowledge and also help the society... We don't have social enterprise in Laos, but I just told my heart I didn't want to have to wait” (M07).

**Surfacing Strategic Tensions.** Committed to their dual missions as interdependent, leaders did not abandon the social mission to focus on the business when operational and financial challenges arose. Instead, accepting that these missions involved inherent conflicts, leaders actively surfaced and grappled with the ongoing tensions. Following the October 2004 meeting, the board president sent out a memo noting that “most of our time in our [next] board meeting will be spent clarifying DDD’s mission and social goals” (Board3). He invited reflections by email and used these responses to inform the discussion at the March 2005 board meeting, which touched on both recurrent and new tensions.

First, leaders raised questions about who to hire as operators. While DDD continued to hire the graduates of nonprofit training programs in Cambodia, there were few potential partner

organizations in Laos as the NGO sector was quite weak due to public skepticism. The Laos general manager experimented with internal training and with hiring more skilled college graduates, reasoning that in Laos even college graduates could be disadvantaged. This approach raised a question for DDD leaders: should they hire university students more broadly? One board member noted: “I’m not sure how important it is for us to primarily hire from disadvantaged populations. I think growth may require expanding our hiring pool. I think we may soon strip the supply of ‘trained’ disadvantaged youth... and also we may need folks with stronger education and skills to build this kind of business” (Board3).

Second, leaders grappled with new tensions about managerial hiring. As DDD grew in size, they needed more middle and senior managers but found it hard to find local talent to fill these roles. One possibility was to hire expatriates who had the requisite skills and experience, but leaders worried whether doing so aligned with their social mission:

How do we balance building capacity of local staff in Cambodia and Laos versus bringing in talent from outside of the country? ... If we bring in an American or Singaporean to come in and be a senior manager in the organization and be there in a sort of permanent long-term staff [role], I think that it to some extent goes against our mission of how are we building capacity of people in Cambodia and Laos and potentially other developing countries to do this kind of work. (B23)

Leaders could alternatively promote operators or hire other locals who would not otherwise have management opportunities, but they struggled to find people with the skills and experience for management roles. As a 2006 report noted, “The board is concerned that right now we have shallow management in every area” (Board6).

Third, leaders continued to surface tensions about growing the organization. Even as they opened offices in Battambang and Laos rather than rural villages, they were exploring new locations such as Vietnam and Myanmar. They were also raising questions about how quickly to expand. Should they grow slowly to focus on improving the current business’ profitability, or move rapidly into new locations to spread DDD’s social impact and demonstrate the replicability

of their model (Board3)? One board member wrote: “Expansion to new sites—and especially to new countries—doesn’t seem as important to me” (Board3). Another recalled: “at almost all of our board meetings, the discussion of potential ways to expand has come up” (B23).

**Reinterpreting Identity Meaning.** Leaders grappled with these tensions by revisiting questions of “who we are” and “what we do” as an organization. The March 2005 board meeting started with assessing their missions. The board president noted that DDD’s dual missions were “understood by many of us in different ways,” listing five alternatives for consideration:

1. *Most disadvantaged:* Create opportunities for the most disadvantaged, especially employing and providing education for young people with disabilities, orphans, abused women, and the very poor.
2. *Private sector development:* Strengthen economic development in Cambodia and Laos, especially preparing young people to take on leadership roles in the IT sector.
3. *Guaranteed employment:* Promise to employ our operators until they are ready to move on, to ensure ongoing support for their education and their families.
4. *Rural development:* Create jobs and opportunities in rural areas, such as Battambang.
5. *Expansion to other countries:* Bring DDD to other countries such as Vietnam (Board3)

After a four-hour discussion, the group came to a shared understanding that their primary goal was to build a sustainable business “with the objective of creating opportunities for the disadvantaged encompassed within that” (Board4). This marked an important shift in how leaders understood their hybrid identity: they clarified that their social mission did not imply hiring anyone who needed help and that their business mission entailed running a viable business that could cover its costs. As a result, they would help people insofar as they could do that by running a viable business.

**Experimenting with Practices.** With the goal of building a sustainable business that creates opportunities for disadvantaged people, leaders experimented with new hiring and growth practices. To try hiring disadvantaged operators with more skills, DDD developed a partnership with the nonprofit Center for Information System Training (CIST). CIST employees traversed Cambodia giving aptitude tests to 12<sup>th</sup> graders that assessed their skills, while also conducting

“social investigations” by asking questions such as how many sheep and goats an individual kept and whether s/he owned a television. Doing so allowed CIST to invite people who were *both* extremely disadvantaged *and* highly skilled to attend their training program, and DDD hired operators from this program. This partnership helped DDD shift hiring practices away from setting explicit quotas for disabled people, orphans, rural migrants, and abused women irrespective of their skills, to instead hiring for both disadvantage and skill.

Leaders also experimented with approaches to address middle and senior manager hiring tensions. Until this point, DDD’s model was to train operators and then help them “graduate” into better paying jobs. However, as Hockenstein noted, “It seemed like it was a great idea to graduate all our employees... until we realized that we would be graduating all our employees” (C35). As an alternative, leaders explored ways to prepare high performing operators for management positions within DDD. In 2007, DDD partnered with an American business school to offer three two-week sessions of a targeted mini-MBA program for middle managers in Asia (Board9). Working in partnership with an Indian data services firm called Datamation, leaders also developed “Sustainable Partnership for Upscaling and Replicating IT-Enabled Services Businesses” (SPURS) to train both DDD managers and individuals interested in starting their own impact outsourcing organizations. This program enabled DDD to help more people without directly employing them. As the initial proposal explained:

[SPURS] will provide training, including both skills training and hands-on experience, in operating an IT-services business to individuals nominated by a host organization in a developing country. The objective of the Partnership is for those individuals to return to their home country and start a successful IT services business... [DDD and Datamation] will provide a minimum of 10 hours per week classroom training in topics such as operations, accounting and financial management, sales and marketing, pricing, human resources management... 30 hours per week of hand-on management experience... mentoring... as well as a follow up site visit (Board6).

DDD piloted SPURS with seven DDD junior managers and two people from Sri Lanka who returned to their home organization after the training to replicate the DDD model.

Leaders also experimented with practices for growth and expansion. They first decided to slow their growth, committing in 2005 not to open any new offices for several years. Yet they continued exploring possibilities for eventually scaling their social mission. In 2006, senior managers brought to the board a proposal for “Replicating Digital Divide Data Worldwide”:

Building on our success, the leadership of DDD proposes to take on an ambitious goal for our next 5 years: expanding DDD to 10 countries employing over 2,000 people. We plan to do this by creating the DDD Global Network. This network will be a set of sustainable social enterprises in developing countries providing socially responsible outsourcing services. Building on DDD’s current service offering of digitization, academic/NGO, and business process outsourcing, the new enterprises will specialize in offering different services. (Board8)

The proposal explored several ways to pursue global expansion, noting: “We would like to experiment with some alternatives to the ‘owned and operated model.’” Possibilities included a joint venture approach in which DDD would partner with another organization to open an office in a new country and an “affiliate model” in which a local organization would pay a fee to access DDD’s brand, sales and marketing staff, and management training (Board8).

**Guardrails.** Between 2005 and 2008 leaders continued to develop structures, roles, and relationships that served as guardrails of each mission. Reacting to their prior emphasis on the social mission, they expanded the board and management team to add business experts who could advise them on financial and operational challenges. As one of the co-founders noted: “The social mission part we’ve always been kind of more on top of. So, I think Jeremy’s intent was to have people [on the board] who would help us from a business standpoint” (B22). Two business executives joined the board in 2006, a retired entrepreneur and a marketing specialist. In 2008, they added a former vice president of SAP labs who had served as a computer science professor at Cornell and Stanford. New senior managers with business backgrounds included the Director of Operations and the Vice President of Business Development in Asia.

Leaders also created goals, reporting systems, and metrics associated with each mission. In 2005, they established distinct social and business goals for the next three years. The social mission goals included “develop[ing] 400 young leaders with technology skills to support economic and social development in the Mekong region” and “graduat[ing] 100 additional data entry operators into jobs paying \$100+ / month” (Board4). On the business side they set goals of increasing annual revenues by 40% a year to reach \$1 million in revenues by 2008, more than doubling the number of employees, from 175 to 450, and achieving “business sustainability” such that business costs would be covered by client revenue (Board9). In addition, leaders created separate financial statements in order to better understand the costs and revenues associated with the business mission as distinct from the social mission:

In our financial statements we now not only report on the whole organization, but report separately on our non-profit activities and our business activities. The board [was] pushing us to really look hard at some of the costs within the organization and how we distinguish between what is a business cost and what is a cost of our social mission. (B23)

They also started tracking DDD’s social mission performance with a set of quantitative metrics, including the number of individuals hired from specific disadvantaged groups, scholarships offered and used, staff graduating to jobs outside of DDD, staff promoted within DDD, and the average salary of each group (Board6). A new “full-time social mission Director” had dedicated responsibility for these metrics (Board10).

**Bumping Up.** Even as leaders focused on building a more sustainable business between 2005 and 2008, their guardrails prevented them from losing sight of their social mission. In 2006, for example, operators voiced concerns that management practices in the Phnom Penh office prioritized operational efficiency over employee needs. They felt criticized, challenged, and under pressure to perform. As described in a report to the board: “Staff members felt that managers did not listen to them. When there was a problem, the thing managers tried to do was



to catch their mistakes, and blamed them instead of helping them learn from their mistakes” (Board6). An operator found an article published in the Cambodian Daily Press that drew on the 2001 Boston Globe article, reporting that operators earned about 40 cents an hour versus the U.S. minimum wage of \$10.40 an hour. In response, the operators created a union and complained to senior leaders that they were being “exploited” (Board7). In hearing this concern, senior leaders realized they had perhaps focused on business efficiency at the expense of staff development, which was core to their social mission. Believing that the efficiency focus in the Phnom Penh office stemmed in part from attitude of the general manager, leaders asked him to resign. They also recognized most Cambodians knew little about social enterprises as this concept had not yet spread to Southeast Asia, and they tried to communicate the idea of a dual mission organization more explicitly to operators. For example, they posted vision and mission statements on a sign in the front of each office as a reminder to employees of DDD’s dual missions.

A planned 2008 assessment of the social mission and business goals set in 2005 prompted another, more major moment of bumping up. The review found strong business performance—DDD fully covered operational costs and employed nearly 500 people across its three Southeast Asia offices. On the social mission side, training, internal promotions, leadership, and staff development was strong, but there was little progress in spreading DDD’s social impact outsourcing model (Board11). In response, internal leaders and outside stakeholders called for renewed focus on expanding DDD’s social impact. Board members highlighted the need to “reach farther to target populations that would most benefit from our mission” (Board11), including possibly expanding beyond Southeast Asia. Outside stakeholders voiced similar priorities. The Skoll Foundation, which granted DDD \$1 million in 2008, designated the money toward expanding DDD’s social impact, not just supporting current operations. An individual

from the International Finance Corporation was interested in making a low-interest investment to fund growth, and the Acumen Fund wanted to support expansion to India.

### **Expanding Social Impact (2009-2010)**

**Paradoxical Frames.** In 2009 and 2010, leaders grappled with new challenges as they considered scaling the social impact of their work. These discussions were again informed by leaders' shared framing of DDD's dual missions as both contradictory and interdependent. In November 2009, Hockenstein explained the contradictions:

The reality is that you can more easily measure margin than mission, and our key social mission metric—the number of graduates—is in tension with profit. Graduating more people makes it harder for us to produce high quality, timely work for clients, at least in the short term. (C14)

In this same conversation, however, he emphasized the missions' interdependence, noting that “if we run it as a business, the social stuff will happen... Running a business actually improves the social impact” (C14). The board president also noted contradictions:

It's just you have a labor-intensive delivery system here, and you've got hundreds of people. It's sort of weird. A lot of companies would say well let's see how can we do the same amount of work with fewer FTEs because FTEs are icky and they are problematic and it would be much better if we could do it with machines or something. DDD is really just the opposite. How can we impact more people by doing the same thing and make sure that we don't have to fire people down the road or we have enough work for them? (B20)

Yet he went on to insist that, for DDD, the two missions were inseparable:

It would be a mistake to think that those [social and business missions] are totally distinct things... They are intertwined... If you've got a stated dual mission like this and they are not totally integrated, if you can't think about one without immediately thinking about the other, you are headed for a problem... We do try to keep them integrated at all times. (B20)

Senior managers articulated a similar perspective at a 2009 North American management retreat, where they discussed skills needed to be a leader at DDD. One person identified “dealing with paradox” as a core managerial competency, a statement others in the room affirmed. As one noted, “Paradox! That's our business.” Another reflected: “That's what I think of as a core component to our management practice” (Meeting1).

As in prior years, leaders' paradoxical frames were also evident in comparison with stakeholders who did not readily adopt their approach. At the 2009 management retreat, leaders discussed the challenges of explaining to outsiders how DDD as a business could also pursue social good. Senior managers noted that most stakeholders wanted to categorize DDD as either a commercial for-profit or a mission-driven nonprofit. One of the managers explained that when talking with external stakeholders, he had to educate them on DDD's integrated approach:

Generally speaking [how I describe DDD] is wholly dependent on who my audience is. First I try to figure out who they are. Are they a Stanford type that wants the business side [or a nonprofit that wants the social mission side]? But, most of the time, I start with 'DDD is a for profit/not-for-profit hybrid, and then add something specific based on who they are. So I tell them, here is one world that you know and are a part of, and here is another world, and we bridge them together. When I don't give them their own world, then they come back to me and are confused. (Meeting1)

While the idea that social enterprises pursued both social and business missions was becoming more prevalent during this time, DDD leaders found that stakeholders still did not understand the label. The Director of Communications said she was "mourning the fact that we have had to give up 'social enterprise' [on DDD's website], because most people don't get it." Another manager noted: To us [social enterprise] means something unique around a nonprofit that is working through revenue. But it doesn't mean that to everyone" (Meeting1).

**Surfacing Strategic Tensions.** Leaders' commitment to expanding social impact through a financially sustainable business, coupled with their acceptance of the contradictions involved, again prompted them to actively grapple with tensions around hiring and growth. At the March 2009 board meeting, they explored a "1500-person financial sustainability plan," discussing how DDD could be economically viable at that size or even larger while maintaining their social mission programs (Board13). For example, they provided scholarships to operators for formal education, but guaranteeing such funding to a bigger employee base would require substantially increasing revenues—a significant challenge in the competitive IT outsourcing industry—or

soliciting more donations, something DDD was trying to move away from. One board member reflected on whether they could ever grow to 5,000 people and maintain their social mission:

With the business, we couldn't do 5,000 people right now. We could not scale to 5,000 people. That is why the model has to be refined, because we couldn't get there. If we go to 5,000 people, we would need a [new] social benefit model. (B22)

Leaders also continued to surface tensions about who they hired as managers. Over the prior three years, DDD had promoted middle managers internally, strengthening their skills through the mini-MBA program, but this approach had costs in terms of business performance. A middle manager in Asia explained:

If we look at what we want to do in the end, we've defined that it's trying to get the most operators out of the cycle [of poverty] and be able to move one socioeconomic class—even if it's from upper lower class to lower middle class, it's a leap into a different class—and be the first in their house to go to a university. So if you define it as such...there may be some sacrifices that we're making as far as middle managers. [We may need managers] that don't come from within... My sense is that an organization has to be honest with itself about what it is and what it's trying to accomplish. And if we try to accomplish too much, then it could strain all areas. (M32)

Leaders debated similar tensions about senior manager hiring. Consistent with the social mission, several people in senior roles had advanced from operator positions. Board members worried these individuals lacked the skills to run and expand the business. In a discussion at the June 2009 meeting, they were “very clear that DDD should recruit an experienced COO from outside” (B15). Hockenstein pushed back, arguing that staff development opportunities remained core to the social mission.

Leaders further surfaced tensions about where and how to grow. In a document prepared for the March 2009 board meeting, a board member noted:

There is a question among board members about where the work will come from to keep potential new offices busy and how long-term social mission costs will be supported. Most feel that, if we want to keep growing, we need to support some or even all of our social mission costs. More and potentially higher margin work is needed to allay this burden. (Board13).

Across multiple meetings in 2009 and 2010, leaders debated growth options. Expansion within Southeast Asia to countries such as Vietnam and Thailand would allow for operational efficiency

given the proximity to their existing Cambodia and Laos offices, but reach a less disadvantaged population. An Indian venture would similarly provide business benefits by allowing DDD to collaborate with its longtime partner Cyberdata, but here too leaders perceived more limited social needs (Board13). Kenya, in contrast, seemed to have greater social need and a sufficient infrastructure to build a viable business. The country's socio-economic diversity could also enable DDD to develop local not just international clients, something leaders had long sought to do to ensure a sustainable business (Board16).

**Reinterpreting Identity Meaning.** In grappling with these strategic tensions, leaders again revisited the meaning of their dual missions. As Hockenstein reflected in 2009:

The social mission is to use IT employment to break the cycle of poverty, specifically through IT outsourcing work, and to bring these jobs to where they would not otherwise be. The question is, how can we have the biggest impact on this mission? To get there, we can't just keep doing what we're doing. We're talking with the big players [about working together]. Our core competencies are around taking very unskilled poor people and training them—recruiting, training and motivating them—and also advocating for the concept. (C11)

These comments suggest a broader interpretation of “what we do” that includes helping people not only by employing and training them directly, but also by serving as an advocate and advisor for others to engage in “impact sourcing.” Board members also reconsidered the meaning of DDD's dual missions in the face of planned expansion. One noted:

How do you make it into something big? Is it simply the dedication of the board or managers that are going to slog through a social enterprise that will someday reach 1000 [employees], but then it's kind of driven by the dedication of a group of people—you can't take it and give it to someone else and have them run with it. That is the challenge that people on the board are thinking about. How to have it more replicable and scalable. (B22)

Leaders continued reflecting on these issues as they debated approaches to expansion in 2009 and 2010. At the June 2010 board meeting, for example, they considered what it would mean to expand their impact. The senior manager in charge of strategic planning asked the group: “How are we creating jobs for disadvantaged people in developing countries? How do we maximize the impact of this?” (Meeting2). Hockenstein pushed them to interpret DDD's dual

missions more broadly, looking beyond their current business: “My lens going into this is whether there is a way to have a broader impact, without selling ourselves... Are we willing to do something different than creating jobs like we do today?” Board members expressed concerns about whether DDD could have a broader impact while sustaining their current business, but they agreed in principle to a more expansive understanding of the dual missions.

**Experimenting with Practices.** As leaders clarified that DDD’s dual missions included expansion to reach more people, they explored how to accomplish this operationally. For example, during the March 2009 discussion of expansion, leaders considered what social mission benefits to provide and how these could be funded with different combinations of business profits and philanthropic donations. They agreed to try a middle ground approach of providing scholarships, leadership development, health care, child care, and other benefits to operators, funded by 20-25% profit margins and up to \$500,000 of philanthropic donations (Board13). They further explored options for providing these social benefits at a lower cost, including offering more targeted internal training and providing loans rather than scholarships for operators to pursue education outside of DDD through a partnership with the Oltre Development Fund (Board14). A board member explained:

We are looking at some things now where we may have to change our scholarship involvement, because when we are a thousand people, the amount of money that it would take to do that if we fully fund the scholarship, or nearly fully fund it, we just couldn't afford to grow. (B19)

Leaders also explored multiple possible growth options. At the March 2009 meeting, they discussed growing sales through new locations in Southeast Asia or globally, moving into related IT services, and taking on advocacy and consulting roles to help other organizations emulate their social impact outsourcing model (Board13). To further explore possible new locations, a board member conducted feasibility trips to Vietnam, Thailand, and Kenya. Ultimately, they applied for a Rockefeller Foundation grant and received \$1 million to develop a plan for a DDD

office Kenya, with the goal of exploring how DDD's model could rely on local clients. Looking beyond their current business to other types of IT services, they created a subsidiary venture fund to invest in new social enterprises and made an initial investment in a video-tagging social enterprise started by one of DDD's co-founders, with a similar model of providing economic opportunities to Southeast Asians through employment and training (Board14).

**Guardrails.** In the final years of our study, leaders took advantage of changes in the meaning and prevalence of social enterprise to forge new relationships with external stakeholders who pursued dual social and business missions, not just those who adhered primarily to one or the other. Whereas audiences in the early 2000s understood social enterprise as a primarily nonprofit endeavor, by the end of the decade mainstream media outlets described it as “finding ways for businesses to tackle big issues like poverty and the environment” (Gardiner, 2007). According to one article: “It used to be that people who wanted to solve a social problem created a charity. Today, many start a company instead” (Alboher, 2009). In tandem with these shifts in meaning, stakeholders that combined social and business missions in one organization, similar to DDD, started to emerge. As noted above, DDD built ties with and received substantial grants from the Skoll and Rockefeller Foundations, both of which supported social enterprise activities that could become self-sustaining rather than traditional nonprofit activities that relied on charitable contributions. In addition, top business schools opened research and teaching centers, launched executive education programs, and created publications such as the *Stanford Social Innovation Review* focused explicitly on social enterprise and social innovation. Drawing in part from individuals associated with these programs, DDD leaders cultivated a group of “critical friends” which included “individuals drawn from business, philanthropy, non-profit world and

academia, with a demonstrated interest in DDD and experience in investment, international business, social enterprise, technology and philanthropy” (Board16).

**Bumping Up.** Feedback from these new external stakeholders was pivotal in 2010, when leaders proactively sought reactions to their dual missions through a formal strategic planning process. After first soliciting input from managers and board members on possible approaches to expanding social impact, they convened four meetings of “critical friends” (Board16). At the first meeting, senior managers presented four possible expansion scenarios: continuing to grow in Southeast Asia, providing consulting services to other organizations seeking to replicate the DDD model, launching a venture capital fund to invest in other social enterprises, and developing an advocacy group to promote the concept of “impact outsourcing.” Feedback from this session led senior managers to eliminate the consulting, investing, and advocacy scenarios and develop three new options which involved expanding the core aspects of their current business instead of starting new businesses. They then held three more “critical friends” meetings for feedback on the new scenarios.

The feedback received in these conversations prompted leaders to once again surface tensions and rethink the meaning of their dual missions. The senior manager leading the strategic planning initiative explained that the process surfaced divergence in stakeholder, board member, and even manager understandings of “who we are” and “what we do”:

Jeremy feels like he knows what the mission is: to bring people out of poverty through IT-related work. There are a variety of ways we could do this, and he is fine with that. But not all board members are okay with this. For example, some of them think that the advocacy approach we’ve been talking about doesn’t fit [with who we are as an organization] because it would not be income generating. (M36)

To clarify these issues, the senior manager facilitated a discussion at the October 2010 board meeting, where leaders agreed on two guiding principles: “In order to maximize how we achieve [our] mission, we must continue to expand our reach by providing direct services to more young



people” and “as a social enterprise we have an additional imperative to operate a profitable business that supports this transformative work” (Board16). Yet even as leaders agreed on this interpretation of their dual missions, they recognized there was not just one way to enact them. The senior manager leading the discussion explained: “Part of the secret sauce may be having some flexibility around these issues” (M36).

## **Coda**

Five years after our in-depth data collection ended, DDD was earning \$8 million in revenues and employing over 1,300 people across five locations. Their 2015 Annual Report notes that they graduated a cumulative total of nearly 800 people into higher paying jobs, each making an average of \$175,000 in lifetime earnings, approximately eight times the amount earned by comparable peers. Follow-up conversations with DDD leaders suggest they continued to flexibly enact their dual missions. For example, they experimented with locations beyond Southeast Asia, opening an office in Kenya with the continued support of the Rockefeller Foundation and launching a subsidiary in the United States that hired spouses of military personnel who had difficulty finding employment. Additional social and business guardrails strengthened the boundaries within which this experimentation took place. In 2015, DDD hired a former corporate executive to serve as President and charged him with growing the business. Unaware of the findings of our study, he asked Hockenstein and the board: “What are my guardrails?” In response, leaders created a document outlining the core social mission constraints within which the new president had to operate as he grew the business, and they established two new dedicated social mission roles, Executive Vice President of Social Impact and Vice President of Human Resources, to serve as counterparts to the business focus of the president.

## **DISCUSSION: HOW STRUCTURED FLEXIBILITY SUSTAINS HYBRIDITY**

If organizational environments increasingly foster hybridity, then leaders must effectively address competing demands over time. Integrating our findings with relevant literature, we develop an empirically grounded model of sustaining hybridity through structured flexibility. Our model depicts how organizations can sustain hybridity through a dynamic enactment process that shifts meanings and practices associated with dual missions, enabled by consistent organizational features that hold leaders to both missions and frame the relationship between them as paradoxical (see Figure 2).

Hybridity embeds multiple and seemingly oppositional demands in core organizational features, creating tensions around issues of identity, goals, structures, and practices (Smith, Gonin, and Besharov, 2013). Structured flexibility starts with leaders' responses to these competing demands. In many organizations, leaders avoid such tensions (e.g., Golden-Biddle and Rao, 1997) or become mired in conflict as they try to adjudicate between the two sides (e.g., Battilana and Dorado, 2010; Ashforth and Reingen, 2014). In contrast, DDD leaders actively surfaced tensions, inviting discussion among senior leaders and using these conversations as opportunities to explore new options. In our analysis, we focused on two key strategic issues that persisted over time—who to hire and where/how to grow—although our data also indicate tensions around specific operational issues such as whether to use funds to increase operators' health care benefits or buy more computers.

Actively surfacing tensions may not be surprising in the early years of our study, as uncertainty in early-stage ventures often challenges leaders to address multiple strategic issues (McMullen and Shepherd, 2006). More notable, though, is that leaders continued to surface and collectively debate strategic tensions across the entire ten years of our study, avoiding cognitive

commitments and structural inertia as the organization grew in size (cf. Tripsas and Gavetti, 2000). Even as they developed practices that addressed specific hiring and growth issues, new tensions emerged due to changes in the external environment and shifts in internal capabilities, and leaders again actively grappled with these issues.

Actively surfacing tensions provokes a search for responses, offering an “invitation to act” (Beech et al., 2004). When competing demands continually recur, moreover, leaders cannot eliminate or resolve tensions but must instead navigate through them (Jay, 2013; Ashforth and Reingen, 2014; Smets et al., 2015). Our model posits that leaders can do this by *reinterpreting identity meaning* and *experimenting with practices*. First, by reinterpreting identity meaning, leaders question, reconsider, and shift their understandings of “who we are.” Similar to Gioia and colleagues’ (2000) insight that members may reinterpret organizational identity “meanings” even as identity “labels” remain fixed, DDD’s dual missions of helping people move out of poverty and doing so through employment remained constant and continued to define the organization’s hybrid identity, yet leaders’ interpretations of what it meant to pursue these dual missions shifted. Second, when experimenting with practices, leaders try out possible alternatives through low-cost investments. We intentionally use the language of “experimenting” to describe this approach, because leaders’ actions involve multiple different practices to address strategic tensions, each one requiring a relatively small resource outlay. At DDD, for example, leaders conducted feasibility studies, launched pilot programs, and partnered with other organizations to explore and implement varied hiring and growth practices. “Bootstrapping” practices such as these often help to launch organizations founded on a limited budget (Bhide, 2000; Alvarez and Barney, 2007), and leaders at DDD may initially have experimented out of necessity. However,

whereas bootstrapping occurs in the startup phase, experimenting continued throughout the entire time period of our study, even after DDD became operationally sustainable.

Trying out multiple, low-cost practices through experimenting minimizes the risk of becoming materially or cognitively committed to any single approach (Tripsas and Gavetti, 2000; Gilbert, 2005), enabling ongoing shifts over time. These shifts occur when leaders *bump up* against one side of their dual missions, becoming aware that practices emphasize one mission to the detriment of the other. As competing demands again become salient, bumping up reminds leaders of the other side of their dual missions and of the strategic tensions between them (Smith and Lewis, 2011; Putnam, Fairhurst, and Banghart, 2016). In this way, although bumping up represents the final phase of the enactment process, it is not an ending point. Rather, it fuels another cycle of surfacing strategic tensions, reinterpreting identity meaning, experimenting with practices, and once again bumping up. In our data, we observed this enactment process reoccur in three distinct eras, as shown in Figure 2. Within each one, DDD's practices moved toward emphasizing one mission and then bumped up against the other.

Two conditions enable these shifts and are critical to understanding how structured flexibility sustains hybridity. The first involves *guardrails*—dedicated structures, roles, and relationships that serve as stewards reinforcing each mission. At DDD, the co-founders forged ties with external stakeholders and recruited internal leaders with expertise corresponding to the social and business missions. They also created organizational structures and roles dedicated to each mission. In other contexts, guardrails could take additional forms, such as affiliations with professional organizations (DiBenigno, 2016). Having such guardrails enables shifts in enactment by creating a bounded space within which leaders can experiment with alternative approaches. We indicate these guardrails with the sloped horizontal lines across the top and

bottom of Figure 2. Absent guardrails, meanings and practices remain unchecked, risking “mission drift” as the organization moves toward enacting just one side of the hybrid (Ebrahim, Battilana, and Mair, 2014). Guardrails prevent this by setting boundaries on how far meanings and practices shift. As studies of group decision making (Nemeth, 1986; Schweiger, Sandberg, and Ragan, 1986) and innovation (Tripsas and Gavetti, 2000) suggest, having representatives for each side of competing demands can keep one side from dominating. In our model, this occurs in moments of bumping up, when internal representatives, external stakeholders, or structural routines make leaders aware that meanings and practices are over-emphasizing one side of the hybrid and remind them of the importance of the other side. In this way, guardrails prompt leaders to revisit identity meanings and shift organizational practices, facilitating a new cycle of enactment. As leaders learn from earlier iterations of enactment and more proactively create moments of bumping up, shifts occur within a narrower range. In addition, as leaders add dedicated structures, roles, and relationships, the guardrails become stronger. Accordingly, in Figure 2, oscillations in the enactment line in become smaller and the guardrails lines become thicker and slope inward, bounding a smaller space.

If guardrails include individuals and organizations who value only one side of the hybrid, their role in productively setting boundaries within which meanings and practices shift may be more muted, and detrimental conflict more likely (see Glynn, 2000; Besharov and Smith, 2014). Our second enabling condition, *paradoxical frames*, is critical to preventing such conflict and instead enabling productive engagement with dual missions. Some scholars emphasize multiple demands as contradictory (e.g., Greenwood et al., 2011), while others highlight how they are synergistic (e.g., Porter and Kramer, 2002). A paradoxical frame involves understanding the relationship between alternative sides as distinct and contradictory yet at the same time

interdependent and synergistic (Lewis, 2000; Smith and Tushman, 2005; Miron-Spektor, Erez, and Naveh, 2011; Smith and Lewis, 2011). At DDD, paradoxical frames initiated with the vision of the founders and spread to be adopted by other leaders over time. While many of these individuals had backgrounds emphasizing either the social or business mission, they valued both. Similar to the “pluralists” in Besharov’s (2014) study of a natural foods store, they emphasized distinctions between the social and business missions, noting how these missions prescribed contradictory course of action, yet they also stressed their interdependence, insisting that the two missions informed one another and that both were required for the organization’s success.

Paradoxical frames depict underlying tensions as persistent and pervasive, inviting leaders to live with, rather than try to resolve, tensions. They thereby facilitate shifts in enactment in several ways. First, they entail cognitive flexibility that allows for ambiguity, uncertainty, and dynamism in leaders’ expectations of the relationship between competing demands (Smith and Tushman, 2005; Miron-Spektor, Erez, and Naveh, 2011). In doing so, paradoxical frames invite leaders to be more open to revisiting and reinterpreting the relationship between dual missions, looking for new points of connection and distinction (Rothenberg, 1979; Smith and Lewis, 2011). We depict this enabling role in Figure 2 with arrows running from paradoxical frames to (re)interpreting identity meaning. Second, because paradoxical frames involve accepting contradictions between competing demands, leaders are more comfortable actively surfacing tensions rather than avoiding them (Smith et al., 2012). In Figure 2, we depict this enabling role with arrows running from paradoxical frames to surfacing strategic tensions. Third, accepting contradictions also encourages leaders to search for “workable certainties”—temporary, negotiated understandings that enable them to move forward rather than trying to permanently resolve tensions (Luscher and Lewis, 2008). Thus, paradoxical frames facilitate

experimentation with practices and can encourage novelty and creative thinking (Eisenhardt and Westcott, 1988). Instead of making long-term commitments to a course of action, leaders adopt provisional approaches, recognizing that these approaches will shift and evolve over time (Andriopoulos and Lewis, 2009; Smith, 2014). In Figure 2, we depict this enabling role with arrows running from paradoxical frames to experimenting with practices.

Taken together, the consistent organizational features of guardrails and paradoxical frames facilitate repeated cycles of actively surfacing strategic tensions, reinterpreting identity meaning, experimenting with practices, and bumping up, creating ongoing shifts in how dual missions are enacted. Yet the missions themselves remain constant, as guardrails create well-defined boundaries that prevent the organization from drifting too far toward either side of the hybrid and paradoxical frames strengthen leaders' commitment to pursuing dual missions despite contradictions between them. In this way, the ability to sustain hybridity over time depends on the combination of consistent organizational features and shifting enactment.

### **Theoretical Contributions to Organizational Hybridity**

In demonstrating how structured flexibility sustains hybridity over time, our model contributes to research on organizational hybridity in at least three significant ways. First, we show how the elements of a hybrid can be both fixed and flexible at the same time, and how this combination is critical to sustaining hybridity. Extant studies often take for granted the idea that the components of a hybrid remain stable, with their interaction either sparking organizational change (Jay, 2013; Dalpiaz, Rindova, and Ravasi, 2016) or creating clashes that require ongoing negotiation at the organizational, group, and individual levels (Glynn, 2000; Ashforth and Reingen, 2014; Besharov, 2014; Battilana et al., 2015; Smets et al., 2015; Ramus, Vaccaro, and Brusoni, 2016). Our model challenges this assumption and advances a more nuanced

perspective. Research in organizational identity suggests that an identity label can remain fixed, while the label's meaning shifts (Gioia, Schultz, and Corley, 2000). Doing so enables adaptation to external demands while still allowing for continuity in identity over time (Dutton and Dukerich, 1991; Corley and Gioia, 2004). Recently, scholars have noted other ways in which identity is both fixed and flexible, showing how it is both a state and a process (Kreiner et al., 2015). We apply and extend these insights, surfacing how fixed and malleable aspects of dual missions impact the relationship between them. DDD's ability to sustain hybridity depended on maintaining stable commitments to both a social mission and a business mission. Yet preserving these dual missions without subjugating one to the other depended on shifts in the meanings and practices through which they were enacted.

A metaphor of colliding objects illustrates our core insight about the value of structured flexibility to sustain hybridity. When the components of a hybrid are primarily stable or rigid, akin to two solid object such as stones or bricks, they create friction and resistance when they collide. For example, Glynn (2000) describes persistent, intractable conflict between musicians and administrators of the Atlanta Symphony Orchestra (see also Fiol, Pratt, and O'Connor, 2009; Battilana and Dorado, 2010). Alternatively, when the components of a hybrid are fluid and malleable, akin to silly putty or dough, crashes enable them to morph into a new, integrated entity. For example, Dalpiaz, Rindova, and Ravasi (2016) depict how Alessi, the Italian manufacturer of household goods, combined industrial manufacturing with cultural production to create new market opportunities and a new organizational identity. Alternatively, attempts to integrate two malleable components can lead to "false synergies" in which efforts toward novelty lead to one component dominating the other (Smith, 2014), as in idealistic mission-driven organizations that fail financially (e.g., Tracey, Phillips, and Jarvis, 2011) or instrumental



businesses that lose a sense of social mission (Pache and Santos, 2010). In contrast, our insight about structured flexibility suggests components that are both fixed and malleable, such as cloth, elastic, or rubber. Confrontations between these objects can allow them to bend and yield, even as their original forms remain intact. This allows for ongoing accommodations, without losing the underlying forms.

By depicting hybridity as both fixed and malleable and showing how this combination sustains hybridity, our study offers a more nuanced understanding of the relationship and dynamics between dual missions. It further calls for scholars to avoid binary depictions of hybridity as either stable or dynamic and invites research that considers both simultaneously. In particular, instead of emphasizing discrete organizational features (Battilana and Dorado, 2010; Pache and Santos, 2013a; Almandoz, 2014; Besharov and Smith, 2014) or highlighting ongoing processual dynamics (Jay, 2013; Ashforth and Reingen, 2014; Besharov, 2014; Smets et al., 2015; Dalpiaz, Rindova, and Ravasi, 2016), studies can focus on the interplay between the two.

As our structured flexibility model suggests, the fixed and malleable nature of dual missions depends on the role guardrails, which informs our second contribution to research on organizational hybridity. Our insights about the role of guardrails extend past research by demonstrating how stable commitments to each side of a hybrid can be beneficial rather than detrimental, enabling dynamic enactment processes. Past research depicts mission-aligned stakeholders as provoking conflict, like opposing identity groups staring menacingly at one other in protection of their own domain (Glynn, 2000; Fiol, Pratt, and O'Connor, 2009; Battilana and Dorado, 2010). In contrast, the guardrails in our model bound leaders' sensemaking and action, allowing the organization to continually move between the components of the hybrid while preventing them from merging into a single, integrated whole. Thus, whereas extant work treats

stable commitments as challenging and suggests practices or processes to mitigate those challenges, fostering “productive” tensions (Canales, 2014; Battilana et al., 2015) and “functional” conflict (Ashforth and Reingen, 2014), our study shows how stable commitments themselves can benefit hybrids by catalyzing ongoing flexibility. This insight aligns with theories exploring how boundaries and stability enable change (Weick, Sutcliffe, and Obstfeld, 1999; Feldman and Pentland, 2003; Farjoun, 2010) and calls for future studies of hybridity to explore in more depth how and under what conditions stable commitments to competing demands facilitate dynamic interactions.

The capacity for guardrails to catalyze flexibility rather than rigidity depends on having pluralist leaders who adopt paradoxical frames. This enabling role of paradoxical frames constitutes our third contribution to research on hybridity. Our focus on paradoxical frames stresses that beyond structure or practices, leaders’ cognition and frames critically inform how organizations sustain hybridity. More specifically, we point to a particularly complex frame. Research often depicts the dual missions of hybrid organizations as either distinct, oppositional, and contradictory or integrated, synergistic, and complementary (Albert and Whetten, 1985; Pratt and Foreman, 2000; Greenwood et al., 2011; Besharov and Smith, 2014). In contrast, a few recent studies have begun to surface the paradoxical nature of hybridity. For example, Jay (2013) highlights the paradoxical tensions inherent in defining and measuring performance in social enterprises, and Ashforth and Reingen (2014) describe the paradoxical tensions of a natural foods cooperative. Similarly, in a study of reinsurance traders at Lloyd’s of London, Smets and colleagues (2015) emphasize that multiple logics can be both conflicting and complementary. These studies adopt an etic approach, in which scholars label the context as paradoxical and explore its implications for informants. Our model extends this work by depicting an emic

approach, in which we observe leaders themselves adopting paradoxical frames. We further note how such paradoxical frames impact leaders' cognitions and actions, encouraging them to surface rather than avoid tensions (see Smith and Lewis, 2011) and to seek temporary, workable certainties (Luscher and Lewis, 2008) by exploring new meanings and practices.

These insights call for scholars to adopt a more complex understanding of hybrid organizations, recognizing not only a contradictory or complementary relationship, but both simultaneously (see Smets et al., 2015). They further compel greater attention to how actors experience and enact hybridity. As Smith and Tracey (2016) emphasize, scholars often approach social enterprise research by seeking to understand tensions between social and business demands, while their subjects see these relationships differently. Our study implies a need for more open exploration of the varied ways leaders interpret the relationship between competing demands and the impact these interpretations have on hybrid processes and outcomes.

### **Theoretical Contributions to Organizational Identity**

Our study further contributes to organizational identity research. First, we challenge assumptions about the distinction between holographic and ideographic hybrids, suggesting a more nuanced relationship. Albert and Whetten (1985) first introduced these terms to describe the extent to which the components of a hybrid were held within an integrated organizational unit (holographic) or separated into distinct units (ideographic). Others have added to this insight, emphasizing distinctions in members' identification in addition to organizational structures (see Pratt and Foreman, 2000: footnote 4). As noted in our introduction, DDD is a holographic organization according to these criteria. However, our findings suggest the representation of identities across an organization may be more complex and fluid than previously recognized. Rather than assuming the components of a hybrid are either integrated or

separated, we find they were both at DDD. Leaders created an integrated structure, pursuing the social mission through the business rather than in a separate organizational unit. Yet they also developed distinct roles and metrics associated with each mission. In addition, leaders were pluralists who valued both missions, consistent with a holographic organization, but many had backgrounds, expertise, and ties to field-level institutions emphasizing one mission or the other.

These insights challenge future research to move beyond characterizing organizations as either holographic or ideographic and to explore combinations of the two. In addition, instead of treating the holographic/ideographic distinction as static, we need studies that explore how these characteristics emerge and are strategically altered by leaders (see Battilana, Besharov, and Mitzinneck, 2016). Similarly, at the individual level, our insights imply that rather than being fixed based on professional background and prior experience (e.g., Pache and Santos, 2010, 2013b; Almandoz, 2014), alignment with one versus both sides of a hybrid is relatively fluid. This calls for research to consider how organizational contexts and individual capabilities may encourage individuals to more flexibly engage both sides of a hybrid (e.g., McPherson and Sauder, 2013; Smith, 2014; Smets et al., 2015).

Second, our study contributes to research on organizational identity by showing how organizations can coopt external stakeholders in creating and maintaining an identity, rather than being constrained by them. Research depicts multiple ways in which the external environment informs organizational identity. For example, the identities of other organizations in a field or industry can significantly influence a focal organization's identity (Rao, Monin, and Durand, 2003), and organizations tend to select identity markers, such as names, that conform to institutionalized norms (Glynn and Abzug, 2002). In addition, external stakeholders' perceptions of "who they are" often prompt changes in insiders' understandings of "who we are" (Dutton and

Dukerich, 1991; Gioia and Thomas, 1996; Gioia, Schultz, and Corley, 2000; Corley and Gioia, 2004). Other studies emphasize that while organizations seek to adapt and conform to outsiders' expectations, they also try to differentiate themselves (Gioia et al., 2010; Navis and Glynn, 2010), akin to individuals' efforts to attain "optimal distinctiveness" (Brewer, 1991, 2003; see also Kreiner, Hollensbe, and Sheep, 2006). When external stakeholders hold seemingly contradictory expectations, as is often the case for hybrids, they can exert competing pulls on organizational identity and associated practices (Glynn and Lounsbury, 2005; Binder, 2007), complicating efforts to attain optimal distinctiveness and setting the stage for internal conflicts over "who we are" (Glynn, 2000). In contrast, rather than becoming defined by one faction of external stakeholders or mired in conflict between often divergent demands, DDD's leaders used stakeholder relationships strategically to inform and support each side of their hybrid identity. This proactive approach resonates with Selznick's (1957) ideas about how leaders can create an organizational identity that integrates divergent stakeholder demands without fully merging them (see also Kraatz and Block, 2008; Pratt and Kraatz, 2009; Besharov and Khurana, 2015).

Building on these insights, future research can consider not only how external stakeholders shape organizational identity, but also how and under what conditions internal leaders can influence and enlist stakeholders in identity construction (see Besharov and Brickson, 2016). In our case, DDD leaders may have had particular latitude to coopt stakeholders as the nascent stage of the social enterprise field meant there were few institutionalized templates for combining social and business missions, enabling leaders to forge their own path.

### **Limitations and Future Research**

As generalizability is limited with single case studies (Siggelkow, 2007), we encourage future research that explores the replication, extension, and boundary conditions of our insights.

In particular, studies can probe the applicability of our model to alternative types of hybrids. At DDD, the social and business missions implied seemingly incompatible practices, yet both were central to organizational functioning. Additional research can unpack enactment processes, and the role of guardrails and paradoxical frames as enabling conditions, in organizations with higher compatibility and lower centrality (see Besharov and Smith, 2014). For example, paradoxical frames may be less relevant when the components of a hybrid organization are more compatible. In addition, the nature and role of guardrails may differ when one side of the hybrid is central to organizational functioning and the other more peripheral. Equally important, future studies could explore structured flexibility in larger and older hybrids. As organizational size and complexity increase, practices tend to become formalized, making ongoing shifting more difficult due to multiple sources of inertia (Hannan and Freeman, 1984; Tripsas and Gavetti, 2000; Gilbert, 2005). In addition, efforts to alter the cognitive frames held by entrenched leaders may generate resistance and conflict (Kaplan, Murray, and Henderson, 2003; Kaplan, 2008), making it harder for established hybrids with long-tenured leaders to adopt paradoxical frames. How such organizations can develop a more flexible approach to meanings and practices is a critical question for future research (see Smith, 2014).

Future research could also explore how our insights about flexibility at the organizational level extend to cross-level phenomena. While our model integrates the individual level by recognizing the role of leaders' cognitive frames and of distinct stakeholders who serve as guardrails, our focus is on how these enabling conditions influence organizational processes. More work is needed to better understand multi-level dynamics (e.g., Ashforth and Reingen, 2014). For example, studies can explore how paradoxical frames spread from an individual leader to become a shared feature of a group and/or embedded in an organization's culture. We

also need research on the relationships between multiple features at the organizational level. For example, do paradoxical frames emerge first among the founder or founding team, and in turn help leaders create guardrails? Recent work on the role of founders' identities in the creation of hybrid organizations provides a starting point for exploring these issues (Wry and York, 2016).

Leaders continue to respond to grand societal challenges through hybrid organizations. Doing so involves navigating complex internal dynamics and interfacing with multiple, often divergent external stakeholders. Our study offers insights from one organization that effectively addressed these challenges. We hope this research inspires future work to extend our collective understanding of how leaders can build organizations that sustain hybridity over time.

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**Table 1: Summary of Data Analyzed**

Interviews		Observation		Archival Documents	
Interviewee	# Interviews	Event	# Days	Type of Document	# Documents
Founder/CEO (C) <sup>1</sup>	4	Management Retreat, North America (Meeting1)	1	Board Meeting Agendas, Minutes (Board)	29
Board Members (B)	9	Board Meeting, Cambodia (Meeting2)	4	Grant and Fundraising Applications (Grant)	93
Managers (M)	16	Board Meeting, North America (Meeting3)	2	Client Proposals (Client)	54
Operators (O)	4			Business Plans (BusinessPlan)	7
External Advisor (EA)	1			Media Mentions (Media)	49
				Internal Analysis (InternalAnalysis)	30
				Communications, Annual Reports (Communication)	7
				Legal Documents (Legal)	26
<b>TOTAL</b>	<b>34 interviews</b>		<b>7 days</b>		<b>295 documents<sup>2</sup></b>

<sup>1</sup> Text in parentheses indicates our notations in the text. For example, when quoting from the interview data, we assign each interview a number from 1 to 34 and use the prefix C to refer to the founder and CEO, B to refer to board members, M to refer to managers, etc. We use similar notions for our observation and archival data.

<sup>2</sup> We analyzed these 295 documents in depth, from among the over 3,000 documents collected.

**Table 2: Conceptual Categories and Representative Data for Enactment Process and Enabling Conditions**

Conceptual Categories	Representative Data
Enactment Process	
<i>Surfacing Strategic Tensions</i>	<p><i>Discussing ongoing challenges about hiring in board meetings, informal conversations, and written reports</i></p> <p>When DDD expanded to Vientiane, leaders faced new hiring tensions, as the partnership approach used in Cambodia was not feasible due to lack of viable partners. The report from the Vientiane feasibility trip surfaced this issue for discussion at the next board meeting: “There are a limited number of training programs in Vientiane targeting disadvantaged people. Only some of the existing training programs currently offer training in typing skills and only one (CSD) specifically includes specialized typing training to develop typing speed. Some of the students in these training programs are from outside of Vientiane and may not stay in the city for employment following training. Private training programs are relatively expensive, especially for disadvantaged people. English proficiency in Lao is generally less than in Cambodia and there are fewer English language training programs.” (InternalAnalysis6)</p> <p>“One of the things we think a lot about is growing our own management talent vs. hiring outside talent. There’s enormous potential for us to grow our own talent. But there are limitations. Someone who has a high school education or less than that, there might be some emotional issues... If you have someone in a key management role, how do you have them go to an educational program?” (B09)</p> <p><i>Discussing ongoing challenges about growth in board meetings, informal conversations, and written reports</i></p> <p>Report on Cambodian expansion notes that “DDD’s model could provide a ‘proof of concept’ for using a technology-based business for development” and that “employment with DDD can be enormously helpful to very poor people living in rural areas.” But same report articulates multiple challenges: “The greatest challenge for DDD in a rural location will likely be in recruiting an appropriate staff... The second challenge is whether we risk creating bigger divides between people in a rural community where most people are poor. Jobs with DDD will provide a great advantage to some people and families over others. People who develop enough skills will in time likely leave the village to come to Phnom Penh for better work opportunities. Stable electricity will be a new challenge with some additional costs. While DDD can run its operations on generators, this entails an initial capital costs as well as ongoing higher operating and maintenance costs. Internet connectivity will also be a greater challenge with some additional costs. While cellular service is possible, this entails less ongoing communication for a new site with managerial staff in Phnom Penh and the U.S. (InternalAnalysis5)</p> <p>“One of the ongoing questions that we wrestled with at DDD is about when and how to expand. And the board has been kind of a way to push back against sort of, ‘wow, we’re doing really well and we should do more,’ [with the board] saying ‘we should do what we’re doing better first, and strengthen this, and focus on this, and then we can worry about what is the next country we’re going to.’” (B23)</p>
<i>(Re)interpreting Identity Meaning</i>	<p><i>Discussing meaning of dual missions, clarifying social and business goals at board meetings, in one-on-one conversations, and by email</i></p> <p>“There has been, at least over the last two years, this conversation about... how do we replicate and or scale what we’re doing. I mean does it have potential to do much, much more? I think we kind of recognize that it does and that we need to figure out some other mechanisms to do that because our core management team is so focused on growing this core DDD, it’s hard to have the bandwidth and the resources and to be able to figure out how to kind of do that other work... I think that is where the conversation shifted within the board.” (B23)</p>

	<p>“From a social mission standpoint I think we weren’t really sure what we wanted to do [when we first started]. We kind of wanted to just help people as much as possible. We didn’t really think a lot about, well, what is the very long-term goal besides just giving people a job and training them. That eventually we had to revisit. Our initial idea was, let’s be as daring as possible in terms of who we try to train to do this work, and get the people who are the most desperate. So, that was kind of our social mission.” (B22)</p> <p><i>Reflecting on and acknowledging changes in social and business missions over time</i></p> <p>“It’s taken us a while to focus. What caused us to focus over time was the goal and necessity of being a self-sustaining organization. Because of that, it limits how broad you can be... For example, we had a training program for women who were sex trafficked. Problem was that they weren’t literate in Khmer. We had to train them in being literate in a foreign language, even when they weren’t literate in Khmer, so we realized that this wasn’t a good idea. This focused us to realize that we wanted to help people who were poor, but they needed a few steps in between.” (B22)</p> <p>“We’ve also evolved what it means to be sustainable locally. We thought we would eventually move all the management to be local in Cambodia and Laos. But then we realized [we] would lose out on important resources to connect outside, and we would be missing a lot of skills. So we changed our initial expectations that we wouldn’t have an expat at the VP level. And we’ve gone from one person to eight people in the New York City office.” (C11)</p>
<i>Experimenting with practices</i>	<p><i>Exploring alternative possibilities by volunteering at local organizations, conducting feasibility studies, and launching pilot programs</i></p> <p>Concerned that the board not get distracted from its role as “the guardians of this core organization of DDD and our business,” leaders consider using outside organizations to pursue expansion: “Increasingly in the last three-years [2006-2008] it’s been, okay, how do we think about what some people external to the core DDD organization can do to consider expansion.” (B23)</p> <p>At March 2008 board meeting, senior managers discuss possible joint venture in Delhi, India, to be developed in partnership with Cyberdata, from whom DDD’s co-founders had initially sought guidance in February 2001. As the proposal explained, a Delhi office would enable DDD to take on client projects requiring greater skills or capacity than their current offices could provide, and it would advance DDD’s social mission by hiring operators from “some populations in Delhi – such as Burmese or Tibetan immigrations [sic] and girls in slum areas – who have completed grade 12 educations... but do not advance into jobs in the IT sector.” (Board10)</p> <p><i>Developing provisional practices through internal programs and partnerships, affiliations, and joint ventures with other organizations</i></p> <p>Partnership with Wat Than to train and employ “56 additional workers, comprising of mine victims, physically handicapped, polio victims, abused women, and orphans.” (Grant3)</p> <p>Board member describing one approach to expansion: “We found some people who were interested in this from Sri Lanka and they weren’t able to pay DDD for it but they found enough money to support them to come and spend some time with us in Vientiane and to participate in one of DDD’s [SPURS] management trainings. Then they just spent some time interning. Then after a couple of months they went back to their village in the north of Sri Lanka and they started their own outsourcing business, and they are still doing it. So, we saw, that was one concept of replication.” (B23)</p>

<p><i>Bumping up</i></p>	<p><i>Managers, board members, and outside stakeholders raising concerns about whether DDD is fulfilling social mission</i></p> <p>“Mai and I took a trip to Bhutan and we looked at the possibility of working there. The Bhutanese government was very welcoming and interested in the possibility... But when we had the board meeting about it, the piece I recall that was really powerful for me was that our Cambodian manager at the time said, ‘What is the average income of a person in Bhutan? What is the average income of a person in Cambodia? Where do you want to create more jobs?’... For me it was a very powerful moment about why had we included our Cambodian and Lao managers on our board, to speak up [about] core decisions but also to help us think about okay, what is the case for expanding and how do we think about where do we expand. It was the moment I realized that as a person from the West, the more countries that you are in the better... and [he] just kind of pushed back and said, ‘Maybe we keep score by the number of people that we employ and we are going to be better off just staying where we are.’” (B23)</p> <p>Stakeholder from IFC raises concerns about social mission at October 2004 board meeting: “He said, ‘You know you certainly can think about expanding to other countries but if you just set your sights on becoming a large company doing what you are doing in this part of the world it would be a pretty great thing, and a pretty rare and unusual thing.’” (B23)</p> <p><i>Managers, board members, and outside stakeholders raising concerns about business viability</i></p> <p>Upon learning that the Vientiane office manager hired operators who could type just eight words a minute, senior managers and the board chair express concern, writing in an email: “How can you run DDD with people typing eight words per minute? We can’t understand. Can you find someone who can type faster than this?” (M18).</p> <p>“I remember over the time that I was in Phnom Penh we thought we were doing well in Phnom Penh and the next year we were going to expand to five more offices, and the next year we were going to expand to ten more. We had this vision of sort of where we were headed and how well it was all going, and I think that bringing on a board that asked some hard questions about that and said: ‘How well are you doing what you are doing? Are you really ready for that kind of expansion?’” (B23)</p> <p><i>Managers seeking feedback on dual missions through regular review of social and business performance and conversations with board members and outside stakeholders</i></p> <p>In February 2001, Hockenstein seeks feedback on DDD’s rural expansion plans from a Harvard-trained doctor who has been volunteering in Cambodia. “Anne cautions that I ensure that whatever I and others are doing here, we are doing for the right reason: to help people with what they truly need; not what we need. She thinks that creating jobs through technology is great; although is fairly mystified at the idea of providing computers with solar panels for rural villages which have still not conquered basic childhood diseases.” (InternalAnalysis7)</p> <p>Board member describing feedback from donors on how DDD should approach growth: “You can get a lot of excitement from donors when you say ‘let’s go to Africa’ or something like that. That gets them very excited. Some sort of eventual scaling other countries moving to other countries I think would be seen as very positive. I don’t know if it’s an expectation, but it’s certainly a hope.” (B22)</p>
<p>Enabling Conditions</p>	
<p><i>Paradoxical frames</i></p>	<p><i>Identifying distinctions and contradictions in dual missions</i></p> <p>“How do you train your operators? Do you just train them for the job, or do you train them for future skills also, which really may be outside the scope of your needs, but the social mission people really want to do that, or even other people may want to do that... so they’re more prepared when they leave DDD. At a team leader level, how much leadership training do you do, and how much management training</p>

	<p>do you do? ... Do you make it based for the market, or do you make it based for building people, or find a compromise in between that's sustainable for the organization? And that goes on through every level, basically, and I think in every department.” (M32)</p> <p>“The social mission makes it very difficult. The goal here is not to make tons of money and get the founder to the south of France. The goal is to provide as many jobs and to touch as many lives as possible within the context of our being able to generate enough money to do that... You're not only delivering the service in a completely different culture... you are also trying to grow an indigenous [Southeast Asian] management team. Boy that is really complicated.” (B20)</p> <p><i>Identifying interdependencies in dual missions</i></p> <p>“We see [the social mission and the business] as already part of the strategic plan. It's like we set the rule, and there's the model. We are not making choices about whether we can support either the social or financial agenda.” (M12)</p> <p>“Integrating the two [social and business missions] is important, and it is also hard. It's the central tension we have... So many young people will go through [training programs run by NGOs], but they won't have the chance to actually do it in the workplace. [At DDD] there's a real client that wants to see quality work delivered. If we were just a learning program, it wouldn't work. If it was just about a business, we could staff this with expats and not have the costs [of training disadvantaged workers].” (B09).</p> <p><i>Responding to stakeholder perceptions of social and business missions as a tradeoff</i></p> <p>“In the early days and maybe even now customers will say, ‘Well why would we give business to a training center? We want this business for our purposes and you're one of the people that we're considering, but why would we hire you rather than somebody who has been in business for a long time and has very experienced people? You want your people to stay four or five years and then leave, and these are people that [it's] the first job that they ever had.’ ... The response that we generated was: ‘We've got people who are very bright and are very motivated. They won't get into a rut of mediocrity as people who have these jobs—which are very low skill jobs relatively speaking—and don't aspire reasonably to anything else.’ I believe our quality is as good as or better than our competition and that our management is more professional and creative from a marketing standpoint than our competition is.” (B19)</p> <p>“We've had discussions at the board level to separate [DDD's] social activities into an NGO and have a separate organization for its business. One of the drivers of that has particularly been...[a funder that] had this vision that this was the way that you could most successfully grow and scale what you were doing, that there were different structures for financing the business and those were only going to be accessible to you if you had a separate legal structure, a separate governance structure, and financial reporting that was distinct and separate for your business activities... There was pressure put onto us over a period of a couple of years to make those changes in DDD... We've ultimately decided and feel very committed as a board that at least the core DDD activities in Cambodia and Laos are one integrated organization. To separate that out would take away some of the healthy tension that we have in managing the organization.” (B23)</p>
<i>Guardrails</i>	<p><i>Relationships with nonprofit, for-profit, and hybrid social enterprise stakeholders</i></p> <p>“[When we started] we had this training partnership that we put together [with data entry firms in India]... We just kind of threw some basic guidelines. We wanted them to be able to understand how to run a data entry operation and use data entry software.” (B22)</p>

	<p>“Critical friends” meeting in 2010 invited six stakeholders to evaluate DDD’s expansion scenarios, including two foundation leaders, one social enterprise researcher, the former vice president of a global insurance company, the managing partner of a hedge fund, and an investment manager for high net worth clients. (InternalAnalysis8)</p> <p><i>Leaders with social or business mission experience</i></p> <p>“Our founders have proven experience in for- and non-profit arenas and have assembled a group of in-country partners.” (BusinessPlan2)</p> <p>“[At the foundation I work for] we feel very strongly that just giving grants hasn’t really gotten the world to a place where these countries can be prosperous and grow. So we really believe that supporting entrepreneurship rather than just giving money away is the right business model... Cambodia [has] terrible corruption, terrible government, but if there is an organization and a group of young people who are really trying to help and also develop a new business model, it would be worthy of supporting them.” (B24, describing her experience)</p> <p><i>Separate goals, roles, and structures dedicated to social and business missions</i></p> <p>Board sets distinct goals for social mission investment and profit margin, deciding on a “medium” level of investment, funded by a 20-25% profit margin on the business and \$500,000 in fundraising. (Board13)</p> <p>Hockenstein’s summary of an organizational structure review conducted in 2009: “Our discussions have centered around identifying what functions we need in order to meet our dual goals of building and sustaining a growing, profitable business, and maximizing our social impact. In effect, we need the functions of both a business and a nonprofit. While there is some overlap – such as HR and finance – there are also unique functions of each we need to have – such as sales, fundraising, and social impact measurement.” (Board14).</p>
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Figure 1: Data Structure

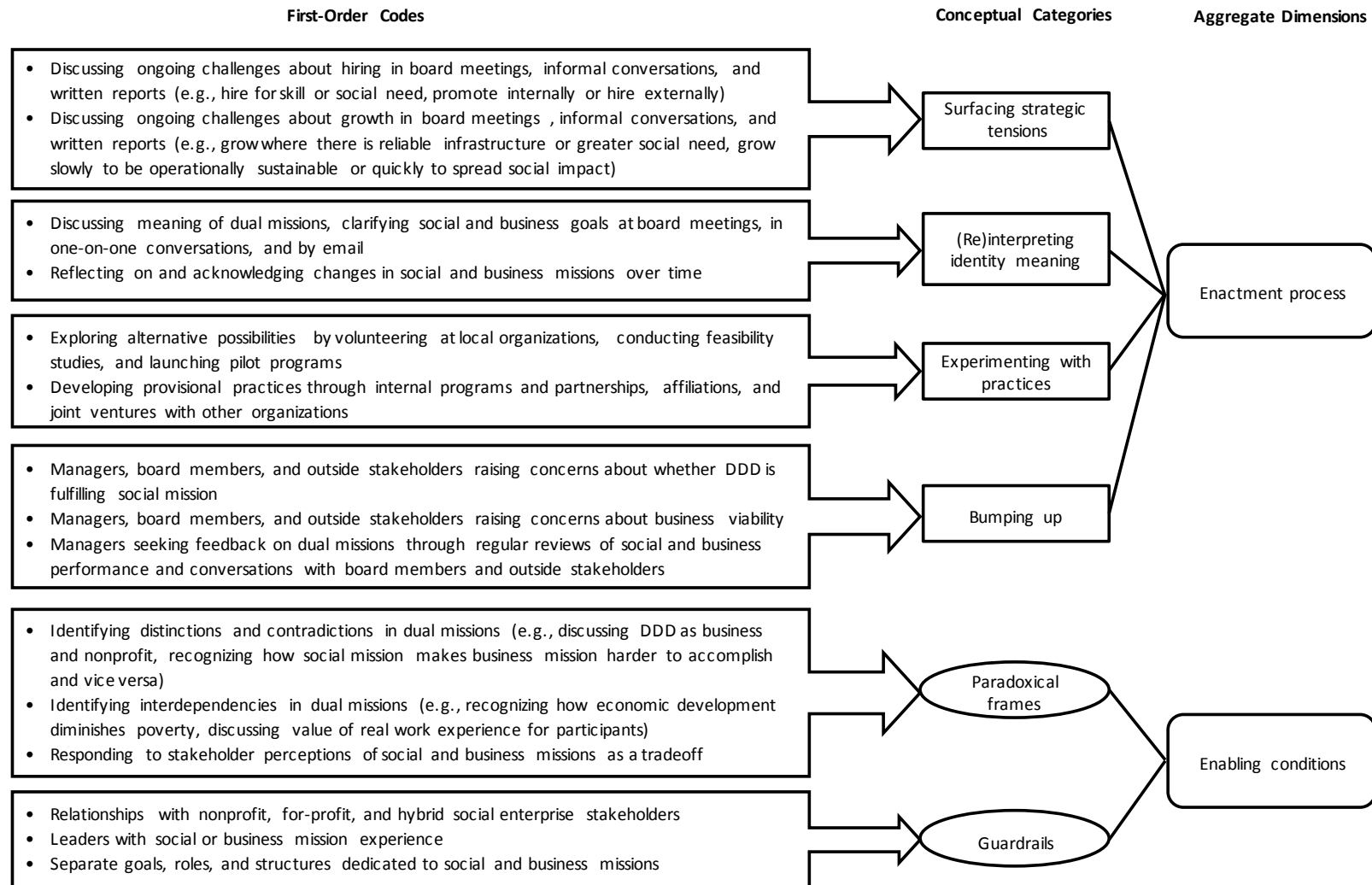


Figure 2: Sustaining Hybridity through Structured Flexibility

