MANAGING SOCIAL-BUSINESS TENSIONS:
A REVIEW AND RESEARCH AGENDA FOR SOCIAL ENTERPRISE

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ABSTRACT

In the last ten years, organizations that pursue social missions through business ventures have spread across industries from health care to financial services to retail and beyond. Research on these “social enterprises” has noted the tensions and challenges that arise from combining social and business objectives. Yet, we lack in-depth, systemic insight into the nature and management of these tensions. We address this gap, enriching research on social enterprise by recognizing the inherent tensions between social missions and business ventures and developing a research agenda that takes these tensions into account. We first review existing literature, identifying and categorizing tensions within social enterprises. We then consider how four key organizational theories—paradox, stakeholder theory, organizational identity, and institutional theory—address these tensions. Our analysis contributes to the literature by showing how tensions and contradictions, which have sometimes been recognized in past research but rarely been the focus of sustained empirical study, are a prevalent and persistent aspect of social enterprises, and are critical to their long-term performance. It further establishes a research agenda for understanding tension management with social enterprises, while also showing how studying social enterprises can offer insights into the management of competing demands within organizations more broadly.

**Keywords:** social enterprise, social entrepreneur, paradox theory, institutional theory, stakeholder theory, organizational identity
Entrepreneurs are increasingly building organizations that seek to change the world through business ventures. Initially focused on areas such as health care, microcredit, and work integration, these “social enterprises” have more recently exploded in a broad range of industries such as financial services, agriculture, information technology, and retail (Battilana & Dorado, 2010; Haigh & Hoffman, 2012; Seelos & Mair, 2005). This growing trend is further reflected in the expanding network of institutions that support social enterprises. Philanthropic organizations such as Skoll and Ashoka provide funds to support budding social entrepreneurs, while business schools are developing courses and establishing research centers dedicated to social entrepreneurship (Smith, Besharov, Wessels, & Chertok, 2012; Tracey & Phillips, 2007). Organizations such as B-corporation are creating certification standards for social enterprises. Several countries now provide a designated legal status for pursuing a double or triple bottom line, such as the Low-Profit Limited Liability Company (L3C) and Benefit Corporation in the United States (Bromberger, 2011), the Community Interest Company (CIC) in the United Kingdom (Haugh & Peredo, 2010; Snaith, 2007), and social cooperatives in Italy (Borzaga & Santuari, 2001).

Scholars are also taking note of the growing prevalence of social enterprises, and are seeking to understand and theorize about this new organizational form. One stream of research has explored the unique characteristics of social entrepreneurs who effectively implement large-scale social change through business ventures (Light, 2009; Zahra, Gedajlovic, Neubaum, & Shulman, 2009; Bornstein, 2004). Other studies identify institutional environments that more or less effectively enable these organizations to introduce novel business models which integrate social missions with a commercial venture (Mair & Marti, 2009; Seelos, Mair, Battilana, & Dacin, 2011; Tracey, Phillips, & Jarvis, 2011). Still other research provides insight into internal
organizational dynamics in areas such as strategy (Seelos & Mair, 2005, 2007), hiring and socialization (Battilana & Dorado, 2010), and power and politics (Pache & Santos, 2010).

While varied in their focus and level of analysis, one common theme across these studies is the conflicting demands present in social enterprises. As “hybrid” organizations, social enterprises seek to both sustain a social mission and maintain commercial viability (Besharov & Smith, 2012). Even as social and business demands can reinforce one another to benefit the organization, they are associated with contradictory expectations that raise persistent conflicts and challenges (Haigh & Hoffman, 2012; Battilana, Lee, Walker, & Dorsey, 2012). Yet, whereas studies of social enterprise broadly recognize these challenges, little research has provided in-depth, systemic insight into the nature and management of competing social and business demands. As a result, our research may not fully capture the complexity of social enterprises. This is a missed opportunity, not only to use organizational theories to provide more robust insight into social enterprises, but also to enrich these very theories by using the social enterprise setting as an extreme case for understanding the nature and management of conflicting demands within organizations more broadly.

In this review, we seek to address these issues. Our goal is to enrich research on social enterprise by recognizing the inherent tensions between social missions and business ventures and developing a research agenda that takes these tensions into account. In the first section, we review existing literature, identifying and categorizing the tensions that emerge between social and business demands. Our contribution in this section is to show how tensions and contradictions, which have sometimes been recognized in past research but rarely been the focus of sustained empirical study, are a prevalent and persistent aspect of social enterprises, and are critical to their long-term performance.
In the second section, we explore the nature and management of social-business tensions at the organizational level. Following other reviews of social enterprise (Dacin, Dacin, & Tracey, 2011; Dacin, Dacin, & Matear, 2010), we adopt a multi-theoretical approach. We identify four key organizational theories that have been used to understand social enterprise—paradox theory, stakeholder theory, organizational identity, and institutional theory—and we explore how each theory can inform the study of social-business tensions within social enterprises. Our contribution here is to establish a research agenda for understanding tension management with social enterprises, while also showing how the study of social enterprises can offer important insights into the management of competing demands within organizations more broadly.

**TENSIONS IN SOCIAL ENTERPRISES: A REVIEW OF THE LITERATURE**

Researchers have proposed a variety of definitions of social enterprise. These definitions differ from one another based on the organization’s legal status as for-profit or not-for-profit, as well as the relative emphasis the organization places on economic or social demands (Zahra et al., 2009; Short, Moss, & Lumpkin, 2009). Despite this diversity, a number of recent scholars have converged on defining social enterprises as organizations that adopt commercial ventures to achieve social purposes (Smith et al., 2012; Seelos et al., 2011; Lawrence, Phillips, & Tracey, 2012). Even as the social mission may be primary (Dacin et al., 2010; Mair & Martí, 2006), these organizations adopt practices from both the for-profit and not-for-profit sectors. They respond to customer needs and strive to increase revenues and operational efficiency while simultaneously attending to beneficiary needs, pursuing grants and donations, and seeking to increase social impact. As such, social enterprises are hybrid organizations, bringing together practices,

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1 In this review, we are focused on exploring dynamics of social enterprises at the organizational level. An equally critical and robust literature has begun to explore the individual characteristics of social entrepreneurs who found and lead these organizations (Bornstein, 2004; Drayton, 2002; Light, 2009; Mair & Noboa, 2006).
identities, goals, and logics from two distinct institutional sectors (Haigh & Hoffman, 2012; Battilana et al., 2012; Moss, Short, Payne, & Lumpkin, 2011) and blurring the boundaries between for-profit and not-for-profit organizational forms (see Tracey et al., 2011; Weerawardena & Mort, 2006).

Social-economic hybrids are not new. Non-profit institutions such as cooperatives as well as many health care organizations and universities have long sought to achieve social or ideological purposes while simultaneously sustaining themselves economically. Recently, however, entrepreneurs have launched commercial organizations to address some of the world’s greatest ills and promote an increased standard of living (Dees, 2007; Tracey et al., 2011). These social enterprises represent a wide breadth of industries and geographies (Alter, 2008). For example, Digital Divide Data (DDD) seeks to break the cycle of poverty in developing areas such as Cambodia, Laos, and Kenya by providing these countries’ most disadvantaged citizens with on-the-job training and experience in DDD’s data entry and labor intensive IT business. The employees that “graduate” from the organization move on jobs that pay four to ten times the regional average, enabling them not only to support their own welfare, but also to help a broad network of parents, family, and friends (Smith et al., 2012). Other organizations provide goods and services manufactured and packaged in ways that promote sustainability and human rights. For-profit companies such as Ben and Jerry’s, Tom’s of Maine, Seventh Generation, and Burt’s Bees, for example, exhibit a deep commitment to a set of environmental and people practices. Other organizations seek to develop products and services at a price point accessible to people at the “bottom of the pyramid,” who often live on less than $1 per day. For example, Essilor, a global optical lens industry, rethought both the nature and distribution of its lenses to make them accessible and affordable to people in rural India with otherwise limited access (Karnani,
Garrette, Kassalow, & Lee, 2011). Still other organizations seek market solutions to environmental decline. For example, the Cambridge Energy Alliance identifies financially sustainable solutions to deliver renewable energy (Jay, 2012). The Alternative Bank of Switzerland is a traditional banking institution that invests in social and environmental projects. Mobility, a Swiss car-sharing organization with over 100,000 customers, operates as a cooperative with limited profit objectives.

Maintaining both social missions and business ventures is central to the success of these organizations (Battilana et al., 2012; Dacin et al., 2011; Tracey & Phillips, 2007). Doing so requires striking a delicate balance, as emphasizing one agenda to the detriment of the other carries significant risks for the viability of the enterprise (Besharov & Smith, 2012). For example, even as many social enterprises make their social mission primary, emphasizing social mission to the exclusion of commercial viability can result declining performance and, ultimately, organizational demise (Tracey et al., 2011). These organizations exhibit too many ideals with too little resources to achieve them. Emphasizing profits to the detriment of the social mission is equally problematic. When this happens, organizations lose sight of the initial social goals that inspired their founding. Such mission drift is evident among some of the world’s largest microfinance organizations, several of which have held initial public offerings and adopted practices that closely resemble those of traditional commercial banks (Yunus, 2011).

Yet attending to both a social mission and a business venture is challenging. Social and business demands are associated with distinct and often fundamentally inconsistent institutional systems. A market system strives for profits and is guided by efficiency and economic rationality, whereas a social system strives to improve social welfare, guided by values, morality, and ethics. Success in a market system is highly specific and quantifiable, and emphasizes short
time horizons, competition, and zero-sum thinking. Such success often depends on taking market share from competitors and passing on costs to supply chain partners. In contrast, a social system defines success based on the achievement of a social goal or eradication of a social ill. In contrast with a market system, these goals are much more ambiguous and difficult to quantify. Moreover, they often occur over the long term and depend on a broad network of organizations working in cooperation with one another (Grimes, 2010; Haigh & Hoffman, 2012; Hanleybrown, Kania, & Kramer, 2012; see also Ostrom, 1990). Margolis and Walsh (2003) refer to the relationship between social and business demands as “antimonies,” whereas Smith and Lewis (2011) describe the relationship as “paradoxical.”

Integrating market and social systems within organizations juxtaposes their inconsistencies and highlights tensions. By tensions we mean multiple contradictory demands that emerge from these varied systems. Our review of empirical social enterprise research surfaced a number of specific tensions between social missions and business ventures. These tensions persist over time, but they can be differentially experienced by actors within the organization. Some tensions may be more salient to leaders, while others may be more salient to employees. Moreover, tensions may be more salient within the organization at one period of time and more latent at others. Following Smith and Lewis (2011; see also Lewis, 2000), we categorize these tensions as involving performing, organizing, belonging, and learning.

**Performing.** Performing tensions emerge as organizations seek varied and conflicting goals. In social enterprises, tensions emerge when the metrics for evaluating business outcomes compete with those for evaluating social mission outcomes. Business metrics tend to be clear, quantitative and short-term, whereas social mission metrics tend to be ambiguous, qualitative, and long-term. Social enterprises leaders grapple with whether they should create social mission
metrics that are more similar to business metrics. They also face a risk that business metrics will become dominant, given the tendency for leadership myopia to lead to a focus on metrics that are more short-term, certain, and measurable (Levinthal & March, 1993). Performing tensions further emerge in social enterprises when the success of the social mission comes at the expense of profits, and vice versa. For example, Jay’s (2012) research suggests that the Cambridge Energy Alliance experienced this paradox of performance, and that leaders’ sensemaking around such successes and failures drove organizational change. Similarly, Tracey, Phillips and Jarvis (2011), reflect on how efforts to expand social impact at Aspire, a work integration organization, ultimately led to financial failure, but in the process launched a successful movement of other work integration organizations that could sustain the broader social objective.

**Organizing.** Organizing tensions emerge as leaders create systems to achieve their goals (Smith & Lewis, 2011). In social enterprises, these tensions involve such challenges as whether to separate or integrate organizational structures, practices, and roles associated with social and business demands (Besharov & Smith, 2012). Organizing tensions also emerge in questions about hiring, particularly for work integration enterprises in which employees are the prime beneficiaries of the social mission. For example, Digital Divide Data, described above, seeks to provide better futures for the most disadvantaged people by employing them in the organization’s IT business. Yet these individuals often have skills so limited that hiring them would make it difficult for DDD to accomplish the work demanded by its paying clients (Leonard, Epstein, & Smith, 2007). Organizing tensions also emerge for social enterprises in questions about legal structure. Leaders face the question of whether to adopt a for-profit or not-for-profit structure (Battilana et al., 2012). Some organizations have overcome this challenge by creating two distinct legal entities, a for-profit that pursues commercial activities and a not-for-
profit that carries out the social mission (Bromberger, 2011). As we previously noted, organizations can now also consider hybrid legal structures that acknowledge a double or triple bottom line.

**Belonging.** Attending to both a social mission and a business venture also raises belonging tensions, which involve questions of identity, or “who we are” and “what we do” both individually and collectively. In social enterprises, leaders often face tensions within the organization as employees ask whether the organization is more aligned with its profit motive or its social mission (Tracey & Phillips, 2007). Similar questions can arise from external stakeholders who struggle to place social enterprises within existing organizational categories (see e.g., Bell, 2011). Belonging tensions also emerge for social enterprises in the area of hiring and socialization. In their study of microfinance organizations, Battilana and Dorado (2010) find that hiring individuals with distinct commercial or social welfare backgrounds created deep faultlines that were challenging to cross and ultimately led to intractable conflict. In contrast, hiring individuals with neither type of background and socializing them into an integrated social enterprise identity was much more successful. The latter strategy also raises tensions, however, due to the limited availability of people who have adequate skills but no deep attachment to either market or social systems.

Social enterprises also grapple with belonging tensions as they seek to define their identity to a broad network of stakeholders. These organizations interact with traditional not-for-profit-stakeholders (e.g., foundations, individual donors), as well as traditional for-profit stakeholders (e.g., customers, suppliers). In doing so, they face questions about how to frame their identity, and in particular, whether and when to emphasize their social mission or their business venture (Dacin et al., 2010). DDD addresses this tension by describing the organization
differently to each stakeholder group. This strategy was effective in isolated encounters, but it became challenging when the organization sought to create a consistent message that would be universally consumed across distinct groups. For example, when DDD emphasized its social mission on the company website, employees, who are also the main beneficiaries of this mission, responded with accusations of exploitation.

**Learning.** As social enterprises grow, they struggle with how to remain committed to their social mission while becoming more efficient and also growing the organization. These challenges reflect learning tensions, which emerge as dynamic organizations seek to renew, change, and develop. At Digital Divide Data, for example, the Board of Directors wanted to expand operations in order to benefit a greater number of people, but the marginal costs of training and supporting each employee were not fully covered by revenues. Directors grappled with whether they could create a business model that enabled them to balance revenues with excess social mission costs. Similarly, for-profit companies such as Ben and Jerry’s, The Body Shop, Burt’s Bees, and Tom’s of Maine, all of which were founded with a strong social mission and subsequently acquired by multinational corporations, faced tremendous challenges about whether or not to sell and if so, to whom, such that they would be able to take advantage of the size and scale of the acquiring corporation without “selling out” on their social mission (Austin & Leonard, 2008).

In summary, tensions between social missions and business ventures are prevalent within social enterprises. They emerge in questions about performing, organizing, belonging, and learning, as social entrepreneurs seek to develop, implement, and sustain the organization. As Tracey and Phillips note, “conflict is a center characteristic of social enterprises” (p. 267). Moreover, as our examples suggest, these tensions are prevalent across all types of social
enterprises, irrespective of whether they place relatively greater emphasis on the social mission or the business venture, and whether their legal status is for-profit, not-for-profit, or a combination of the two. These prevalent tensions are also persistent, as they reflect inherent inconsistencies across different institutional systems (Thornton, Ocasio, & Lounsbury, 2012). Even as leaders may make decisions responding to a specific challenge, the underlying inconsistencies between institutional systems remain. Moreover, tensions may be latent, such that individuals do not directly experience them for a period of time, but they can again become salient under environmental conditions such as scarcity and complexity (Smith & Lewis, 2011).

**THEORETICAL PERSPECTIVES ON TENSIONS WITHIN SOCIAL ENTERPRISES**

Given the prevalence and persistence of the tensions we have just described, research on social enterprises can benefit from a more explicit focus on social-business tensions and their management. An emphasis on tensions would not only enrich the study of social enterprise; it also has the potential to contribute to research on competing demands within organizations more broadly. In this section, we explore these issues by drawing on several prominent organizational theories that have been used to study social enterprises at the organizational level of analysis. We discuss each theory’s approach to tensions within social enterprises, suggest questions each approach raises about the management of these tensions, and reflect upon how social enterprise research can inform and challenge this particular approach.

**Paradox Theory**

Paradox refers to “contradictory, yet integrated elements that exist simultaneously and persist over time” (Smith & Lewis, 2011: 382). Since Lewis’ (2000) seminal article, paradox theory has gained in importance as a lens for studying many types of tensions and change within organizations (Korhonen, 2006; Lado, Boyd, Wright, & Kroll, 2006; Smith & Lewis, 2011).
Consistent with our discussion above about the nature of tensions within social enterprises, a paradox perspective suggests that tensions are inherent and persistent within organizations. It further suggests that when these tensions become salient, actors tend to respond defensively (Lewis, 2000). A number of theoretical and empirical studies therefore seek to understand alternative responses that enable organizations to benefit from paradox (e.g., Andriopoulos & Lewis, 2009; Luscher & Lewis, 2008; Smith & Tushman, 2005). Scholars have argued that sustaining competing demands, such as those between social mission and business ventures, can contribute to long-term organizational performance (Cameron & Lavine, 2006). Taken together, this research suggests tensions within social enterprises present both significant challenges and significant opportunities. It also implies that the way in which actors respond to tensions is critical, as these responses can fuel either vicious or virtuous cycles (see Lewis, 2000; Smith & Lewis, 2011).

Scholars have recently started to apply a paradox perspective to social enterprises. Some work focuses on the skills needed to lead social enterprises, given the persistent social-business tensions embedded therein (Smith et al., 2012). Other studies consider how actors respond to paradox over time (Jay, 2012). Understanding such responses, and delving deeper into the question of how organizations can promote effective responses, rather than those that lead to defensiveness and ultimately organizational demise, is likely to be a ripe area for future research. What characteristics and resources of social entrepreneurs and social enterprises enable them to cope with tensions and transform them into entrepreneurial opportunities? Under what conditions do organizations adopt a particular approach to managing paradoxical tensions? Poole and Van de Ven’s (1989) typology of strategies can serve as a useful starting point for addressing these questions, as several of the strategies they delineate are evident in extant social enterprise
research. Research on DDD (Leonard et al., 2007) and Aspire (Tracey & Jarvis, 2006), for example, confirms the potential (as well as the threats) related to an opposition approach to managing tensions, in which actors accept the paradox in order to use it. A synthesis approach, meanwhile, is illustrated by Prahalad’s (2002) idea of the bottom-of-the-pyramid market. The very poor have only 1 or 2 dollars a day, but as there are billions of them, this represents a daily multi-billion dollar market with high potential, so long as firms adapt package size and distribution processes.

We also expect that the study of social enterprise has much to contribute to paradox theory, as this is a setting that exhibits multiple types of tensions and multiple ways of addressing them. In particular, research on the strategies by which social enterprises manage tensions might contribute to refining and/or complementing existing theories of how actors cope with tensions. More generally, as management strongly relies on rational thinking, paradoxical situations are often underplayed (Gonin, Palazzo, & Hoffrage, 2012; Mintzberg, 2004; Sen, 1977; Vince & Broussine, 1996). Studies of paradox in social enterprise might contribute to strengthening the case for the argument that paradox is endemic in organizational life (Smith & Lewis, 2011).

Stakeholder Theory

Stakeholder theory proposes an alternative to the shareholder based approach to management. According to its proponents (Donaldson & Preston, 1995; Freeman & Reed, 1983; Parmar et al., 2010), managers should not focus only on the interests of shareholders, but should also consider expectations and (legitimate) claims from other groups that have a stake in the firm’s business. This perspective directs our attention to the web of relationships in which social
enterprises are embedded and suggests that even as these relationships may create tensions for the social enterprise, they are also the source of long-term advantage.

A number of social enterprise studies implicitly or explicitly invoke stakeholder theory and emphasize the importance these organizations place on integrating the expectations of various constituencies (e.g., Tracey & Phillips, 2007). Kania and Kramer (2011), for example, note that the Elizabeth River Project in Virginia brought together over 100 stakeholders to address the pollution issue of the river. Waddock and Post (1991: 400) also highlight the stakeholder orientation by proposing that social entrepreneurs are primarily individuals who “make linkages among organizations that did not previously exist, rather than…directly solve the problems themselves.” This affirmation is congruent with an empirical study (Alvord, Brown, & Letts, 2004: 274) which suggests that “initiatives whose leadership had less success in bridging diverse stakeholders had more difficulty in expanding the impacts of the initiatives.” Haigh and Hoffman (2012: 128) contend that social enterprises seek autonomy vis-a-vis their business stakeholders while at the same time, they “seek to be connected to and embedded within the social and environmental systems in which they operate.” Finally, Santos’ (2009) differentiation between value creation and value appropriation—and his argument that an enterprise can create value without necessarily keeping it for itself—implies a thorough reconceptualization of stakeholder relationships and suggests the possibility of new types of value propositions between stakeholders.

This research can be extended in several ways. First, there is a need for more systematic classifications of stakeholder relations and stakeholder networks in which social enterprises are involved. For example, how do informal stakeholder relations interact with existing structured networks to contribute to, or impede, the success of social enterprises? Addressing this question
might advance understanding of the complex web of relations these entities have with
government, authorities, funding organizations, beneficiaries, employees, volunteers, and
competitors. Further, questions arise about the centrality and challenge of a stakeholder
approach. Is stakeholder management more important to organizational success in this setting
than in others? Are the tensions that arise from a stakeholder approach heightened compared to
other settings? Do social enterprises adopt fundamentally different strategies for managing these
tensions? There is also a need for research on the factors that lead to effective collaborations with
stakeholders (see Kania & Kramer, 2011).

In addition to shedding light on the management of tensions among stakeholders in social
enterprises, addressing these questions can offer valuable contributions to stakeholder theory
itself. In particular, the study of social enterprises can contribute to the discussion about
stakeholder theory’s capacity to resolve the tension between commercial and non-commercial
expectations. Various authors suggest that the stakeholder approach remains trapped in a profit-
maximization view of business. Walsh (2005) observes that, in cases of value conflict between
stockholders and other stakeholders, stakeholder management theories give precedence to
economic objectives. Similarly, Buchholz (2009) and Maak and Pless (2009) regret that
managers involved in stakeholder dialogue remain foremost defendants of their own interests (if
possible aligned with those of the firm), rather than being cosmopolitan citizens. Social
enterprises, by refusing from the beginning on the profit-maximization objective, represent a
very rich field to study how stakeholder theory can evolve and be applied in contexts which are
freed from the profit maximization constraint. In addition, while stakeholder management
implicitly suggests that the firm which “manages” the stakeholder relations remains at the center
of the broader network in which it is embedded, social enterprises tend to position themselves as
one among others in a network. Rather than rallying stakeholders to their own interests, they look for superordinate goals—that is, more general objectives and values common to all actors (see Fiol, Pratt, & O’Connor, 2009)—to which all stakeholders want to contribute. In this sense, studying social enterprises can shed light on more integrative approaches to stakeholder management.

**Organizational Identity**

Organizational identity refers to a perception shared by organizational members about “who we are” and “what we do” as an organization—the central, enduring characteristics that distinguish this particular organization from others (e.g., Albert & Whetten, 1985; Ashforth & Mael, 1989). A clear and consistent organizational identity can guide, orient, and unify members of the organization to engage in collective action. Yet social enterprises have hybrid identities which are “composed of two or more types that would not normally be expected to go together” (Albert & Whetten, 1985: 270)—a normative identity arising from their social mission, and a utilitarian identity arising from their business venture (Moss, Short, Payne, & Lumpkin, 2011). Research on hybrids suggests these organizations often experience conflicts and controversy between competing internal groups (Glynn, 2000; Golden-Biddle & Rao, 1997; Pratt & Rafaeli, 1997), precipitating or preventing strategic change and reorientations (Dutton & Dukerich, 1991; Nag, Corley, & Gioia, 2007). Research on social enterprises also notes the potential for conflict between sub-groups who grant different weight to social versus business objectives, while also pointing to possibilities for overcoming such conflict through the establishment of a single identity that integrates the constituent social and business elements into a coherent whole (Battilana & Dorado, 2010). Overall, an identity perspective emphasizes that tensions between
social and business demands pervade the very core of social enterprises, and threaten to derail the organization if not addressed.

While the identity literature, both in general and in the specific case of social enterprises, clearly establishes the challenge of managing a hybrid identity, much less is known, particularly empirically, about how to overcome these challenges. There is a need for research on how exactly social enterprises manage the multiple elements of their identities (e.g., based on Pratt & Foreman, 2000). Little is known, for example, about the relationship between the elements of the hybrid. When do organizations separate these elements into distinct sub-unit identities versus integrate them into a single overarching identity, and what implications does separation versus integration have for the organization? More work is also needed in relation to social enterprises’ interaction with the societal environment in the formation of organizational identity (see Clegg, Rhodes, & Kornberger, 2007; Dutton & Dukerich, 1991; Gioia, Price, Hamilton, & Thomas, 2010), as well as in communication of this identity to actors in the broader economic and societal context. Identity can play a central role in establishing organizational legitimacy (see Navis & Glynn, 2011), yet communicating a hybrid identity is particularly challenging (see Bell, 2011).

At the same time, as researchers increasingly recognize the complexity and multiplicity of organizational identities, social enterprises can serve as excellent setting for further exploring the nature of this construct. For example, while research on mergers and acquisitions has considered how a merged entity acquires its new “common” identity (Gioia et al., 2010), the persistent tensions observed in social enterprises suggest that some organizational identities may be characterized by continuous, if sometimes low-level, change of focus between social and commercial elements. Social enterprises might therefore provide important insights into the influence of identity (sub-)contents and conflicts on the stabilizing or continuous adaptation of
organizational identity. Further, Battilana and Dorado (2010) suggest that selection criteria, especially a focus on socialization capabilities in addition to or instead of task capabilities, play a central role in enabling organizations to maintain a hybrid organizational identity over the long term. Additional studies of social enterprises’ organizational identities in relation to their selection and retention management practices could contribute to a better understanding of how complex organizational identities interact with individual identities and capabilities.

**Institutional Theory**

Institutional theory focuses on how the broader societal environment influences organizations through formal and informal regulations, infrastructures, and mental frames (Tolbert & Zucker, 1996; Zucker, 1987). The position of social enterprise at the crossroads of two distinct and often incompatible institutional logics makes institutional theory central to the study of these organizations. Institutional logics are “socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules” (Thornton & Ocasio, 1999: 804). Logics establish “the rules of the game” and thereby shape beliefs and behavior, even as actors can inform and influence these rules. As Dacin and colleagues have noted, research on multiple logics has the potential to yield “valuable insights into how social entrepreneurs can effectively negotiate among conflicting agendas” (Dacin et al., 2010: 50). In particular, a central question from an institutional perspective is how to combine economic and social logics in a way that makes it possible for the organization to attain legitimacy in both the economic and the social sectors (Pache & Santos, 2010; Yunus, Chu, & Rosenberg, 2008). Bell’s (2011: 28) experience illustrates this challenge. Bell launched In Every Language, a translation business which hires refugees to conduct the translation work—but only fully certified and trained translators. As she notices, her projects’ business side leads some NGO members to accuse her “of trying to take
advantage of ‘poor refugees’ for personal gain.” Meanwhile, when her contacts in corporations (potential customers) “hear ‘social enterprise,’ many think ‘nonprofit.’ When they think ‘nonprofit,’ they think ‘unprofessional’ or ‘no good’”—even though all her employees are fully certified for their jobs.

Institutional theory can also be applied to study the broader legal, political, social, and economic framework in which social enterprises arise and develop (Mair & Marti, 2009). Several studies discuss and compare how different local (Korosec & Berman, 2006) and national (e.g., Borzaga & Defourny, 2001; Defourny & Nyssens, 2010; Kerlin, 2006) institutional frameworks foster or inhibit the development of social enterprises. At another level, Bromberger (2011: 50) notices the challenges that legal frameworks, which are often still set up for structures with unified objectives, pose for hybrid structures. For him, “creating a hybrid entity that can serve both charitable goals and business objectives simultaneously may sound simple, but from a legal perspective it is actually quite complicated.” Zhao's (2012: 35) study of social entrepreneurship in China leads to similar conclusion, namely that “the people who identify themselves as social entrepreneurs in China need to work strategically within the system, positioning the need for social enterprises within broader changes in regulations, the nonprofit sector, government, and public opinion.”

An institutional perspective offers a number of promising directions for future research on social enterprises. First, while comparisons of institutional structures exist, they remain very general. In-depth studies are needed to identify factors that promote or inhibit the emergence of social enterprise across different institutional contexts. In particular, research is needed to understand how administrative structures that uphold the business-social dichotomy by having two distinct state offices (see Gonin & Gachet, 2011) and often two distinct legal frameworks
(Bromberger, 2011) hinder the development of hybrid organizational forms—and which alternative structures could solve this issue. In the same vein, little is known about the role of financial institutions—including micro-finance—in promoting social enterprises. Research about the impact of collaborations between profit and nonprofit organizations (see Berger, Cunningham, & Drumwright, 2004; Drayton, 2002; O'Regan & Oster, 2000) on existing and emerging institutions is also needed. Finally, questions remain about the stability of hybridity as a core characteristic of social enterprises. Researchers have recognized the challenges social enterprises face in remaining hybrid (see the discussion in Battilana & Dorado, 2010: 1419). Understanding how hybridity evolves over time and the extent to which social enterprises ultimately gain legitimacy as an established organizational form has important implications for the identity, positioning, motivation, and business models of social enterprises.

At the same time, because of their position at the interstices of two established institutional systems, social enterprises have much to contribute to institutional theory. Perhaps most importantly, they offer an excellent setting for studying how multiple institutional logics are combined within single organizations. They may also provide a setting for studies of institutional change across sectors. In particular, as social enterprise has become more prevalent, and prominent, it appears to be prompting changes in both the business and social sectors. Haigh and Hoffman (2012: 126-127), for example, suggest that “hybrid organizations are changing the notion of what a corporation is and does, since their goals are oriented towards both market and mission […] For the business practitioner, hybrids challenge traditional ideas of the role and purpose of the firm, as well as what it means to be a sustainable business. For the academic, hybrids challenge the standard classifications used to categorize public and private organizations, and ways of understanding their objectives and functions.” Research on social enterprises can
offer insight not only into how single institutions emerge, develop, and fade, but also into how separate institutions influence one another and are re-shaped by the emergence of a new one.

**DISCUSSION AND CONCLUSION**

In this paper, we have identified tensions between social missions and business ventures as a prevalent and persistent characteristic of social enterprises and suggested that the management of these tensions is central to the success of social enterprises. We have further shown how four prominent organizational theories can advance our understanding of tensions within social enterprises, while also suggesting ways in which research on social enterprises can inform, challenge, and extend these theories.

Focusing in social-business tensions is essential to fully grasp the nature of social enterprises and appreciate their unique contribution to the management of multiple goals and values – and to closing the gap between business and society (Drayton, 2002). As such, social enterprises not only bring new insights to each of the various lenses discussed above – they also challenge the idea that the various theoretical approaches can be used separately, and that management models can be built in isolation from the broader social and political reality of (social) businesses. On the contrary, attempting to grasp social enterprises from a single perspective runs the risk of overlooking their intrinsic hybrid nature, and so of formulating models which do not account for their specificity and complexity. Social enterprises transcend disciplines and pose challenges to the very institution of business. As social enterprises represent a specific type of business, and so are part of the business world, the business paradigm and its dominant theories may need to be extended to be compatible with such hybrid sub-fields.

At the same time, the tensions inherent in social enterprises are also increasingly arising in more traditional for-profit and not-for-profit organizations. Fortune 500 companies are
investing in corporate social responsibility programs to address social and environmental issues (i.e., Margolis & Walsh), while traditional not-for-profits such as hospitals and universities are increasingly concerned with becoming more fiscally secure (Reay & Hinings, 2009; Jarzabkowski & Sillince, 2009). Even more broadly, organizations such as family businesses also face the challenge of combining economic constraints with family values and principles (Fassin, 2008; Spence, 1999). In this context, while our review has focused on social enterprises, we hope it also lays the groundwork for addressing the growing prevalence of competing social-business demands across organizations more broadly.
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