Hybrid organizations for hybrid performance: the role of the inclusive governance and the impact of fields' diversification

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Abstract

Hybrid organizations combine multiple organizational forms through novel templates (Battilana & Lee 2015) enabling them to tackle complex problems (Jay 2013), but also posing peculiar organizational challenges (Battilana & Lee 2014), such as reaching at the same time different diverging organizational objectives (Battilana et al 2015; Ebrahim et al 2014).

Within this discussion, governance of hybrid organizations has increasingly gained visibility. As of now, the literature has analysed the capability of different boards' structures to be accountable to diverse principal stakeholders and to avoid mission drift by reaching dual performance objectives (Ebrahim et al 2015). Mair et al (2015) have studied how this can be facilitated by different governance arrangements, either by dissenting from or conforming to the logics at play. Ramus et al (2017) have shown how the background and competencies of board members in hybrid organizations can influence the balance between different types of innovation related performances. We follow this lead by investigating how different equilibria in terms of power distribution and representativeness of different stakeholders within the board affect the capability of the social enterprise to achieve dual performance, as well as the probability of falling into a mission drift. This perspective constitutes the first set of our hypotheses.

As a second step we recognize that this relationship is subject to contingencies of various nature, including the strategic choices guiding the organization. Indeed, while the interplay between governance and strategy has been shown to be an important driver of organizational performances (see for instance Almandoz & Tilcsik 2016; Hillman & Dalziel 2003), this link has only recently be highlighted in the literature on hybrid organizations, specifically looking at the connection between diversification strategies and scaling (Fosfuri et al 2016). We thus integrate our initial hypotheses by including set of moderation hypotheses accounting for the effect of hybrid organizations' level of diversification in different fields of action on the capability of different board structures to avoid mission drift and maintain a high dual performance.

We test these two sets of hypotheses by identifying -among all no-profit organizations operating in Italy in 2011- those that provide services and at the same time heavily rely on the market to assure their economic sustainability. We normalized their per-worker profits and social impact (measured in terms of number of beneficiaries) within each sector (i.e., subtracting the mean and dividing by the standard deviation of the sector). In this way we obtain comparable measures of both performances, which we combine in a unique measure of the organizations' capability to maintain high dual performances, i.e., score higher than the others *in both camps*.

Indeed, we consider this peculiar measure we create as an additional empirical contribution to the study of hybrid organizations. Our regressions then relate this dependent variable to a set of regressors that capture precisely the constructs mentioned above (power distribution and representativeness of stakeholders in the board, and diversification of activities) and test our hypotheses. We finally retrieve data from other sources and present instrumental-variable estimates that can inform about causal relations[1].

[1] Regressions will be run in the incoming months, and in case of acceptance will be presented in the version of the paper to be submitted.