

# Commercial Heads, Social Hearts? Organizational changes and effects of civil society organizations becoming more business-like.

## A literature review

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# 1. Introduction

A growing body of literature points at the increasing hybridization of civil society organizations (CSOs)<sup>2</sup> by incorporating entrepreneurial practices, values and ideas (Meyer, Buber, & Aghamanoukjan, 2013; Weisbrod, 1998e), but also focuses on the presumed risks of non-profits becoming more ‘business-like’ (Backman & Smith, 2000; Dees, 1998; Eikenberry & Kluver, 2004). In general, scholars refer to two drivers fostering this trend. On the one hand, non-profits are ‘pushed’ to the market-rationale due to more competition for fewer donations and grants as well as increased rivalry from for-profit companies entering the non-profit market (Weisbrod, 1998d). On the other hand, non-profits are ‘pulled’ to become more business-like by the belief that commercial revenues are easier to grow and more stable than in-kind donations (Dees, 1998) as well as by the widespread belief that the adoption of corporate management concepts and practices will increase organizational performance (e.g., Dart, 2004a, pp. 199-200). Consequently, the central question to this debate is whether non-profit organizations are able to adopt for-profit practices and yet perform their social mission (Cooney, 2006, p. 144; Maier, Meyer, & Steinbereithner, 2016, p. 65).

Touching upon the larger issue of welfare governance (Bode, 2006), the hybridization of civil society organizations is a rather politicised debate drawing both public and academic criticism ranging from cautious warnings (e.g., Eikenberry & Kluver, 2004) to wholehearted opposition (e.g., Brandsen & Karré, 2011). However, in this – often normative – discussion, the impact of becoming business-like on the organizational level tends to be overlooked (Jäger & Beyes, 2010, p. 86; Kistruck & Beamish, 2010, p. 735). Dart (2004a) points out that the distinction between non-profit and business-like concepts are only clearly distinguished in terms of goals, i.e. on the level of mission and strategy, in contrast to governance arrangements and management practices. Although much of the non-profit management literature aims to *help non-profit managers [to] select those tools and ideas from the for-profit sector that will be most helpful to them and to adapt those tools to the demands of the non-profit sector* (Oster, 1995, p. 1), research on how ‘becoming business-like’ is practically implemented in the non-profit context as well as the perceived effects is fragmentary of nature and understudied (Hwang & Powell, 2009, p. 271; Meyer et al., 2013; S. R. Smith, 2014, p. 1506). A more fine-grained analysis is further complicated by a multitude of overlapping yet distinct concepts such as commercialization (e.g., Toepler, 2006; H. P. Tuckman & Chang, 2006), marketization (e.g., Eikenberry & Kluver, 2004), corporatization (e.g., Alexander & Weiner, 1998), managerialism (e.g., Maier & Meyer, 2011), etc. The aim of this paper is to map the internal changes and effects as a result of a more ‘business-like’ manner of organization within non-profits over the last 25 years as well as to provide a clear conceptual outline. The focus is on the (re-)definition of civil society organizations’ missions and strategies, on changing governance arrangements and shifting management practice. We address two questions:

- How do organizational demands emanating from multiple sector membership, i.e. the non-profit and for-profit domain, affect the internal work processes in terms of mission, governance and management?

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<sup>2</sup> Within this paper, we adopt the broad definition of civil society organizations by Brandsen, Van de Donk, and Putters (2005, p. 751), who posit that these organizations are private (as opposed to governmental), non-profit (non-distribution constraint opposing the market logic) and formal (in contrast to the informal networks of family and community). The concepts ‘third sector’, ‘non-profit sector’, ‘civil society organization’ and ‘non-profit organization’ are used interchangeably. For a detailed overview of the various definitions regarding non-profit organizations see Anheier (2005, pp. 37-62).

- What are the organizational consequences of becoming more business-like?

These questions touch upon one of the most central issues confronting non-profits today, i.e. the need or pressure to redesign their organizations due to changing environmental circumstances. Furthermore, added insights in hybrid structuring and its effect on organizational performance could help policy makers and civil servants to support CSOs by forging responsive legal frameworks.

The remainder of this paper is organized as follows. The second part explains the process of literature sampling and processing, followed by an analysis in terms of prevalent research designs, data sources, measurement scales as well as regional focus. The third part elucidates on our research approach. The fourth part maps the perceived changes and effects on the organizational level of CSOs resulting from hybridization towards the market. The paper concludes with a summary of the state of the art knowledge on the subject as well as some suggestions for further research.

## 2. Method

### 2.1. Literature sampling

Although neglecting the issue of organizational impact of becoming more business-like, we build on the systematic literature review of Maier et al. (2016) on non-profits becoming more business-like by narrowing down their literature sample (Maier, Meyer, & Steinbereithner, 2014) in accordance to the following criteria (Annex – figure 1).

- Given the historical perspective of 25 years, the first step consisted of excluding all publications published before 1990. The 15 studies identified by Maier et al. (2016) as ‘exemplary’ were directly included.
- The second step comprised the main criterion of quality, i.e. “is the article published on the Web of Science (WoS)?” A caveat is warranted here; 71% of the articles which weren’t disclosed on the WoS, were published in a journal belonging to the WoS. This paradox can be explained by the fact that the articles in case were published in their respective journal at a time that it wasn’t part of the WoS. Additionally, we separated the books from the articles.
- Publications published on the WoS were further narrowed down by an interpretative analysis of the title and abstract, i.e. “does the publication focus on organizational changes or effects of becoming more business-like?”. We considered the body of literature on the link between organizational design and performance as part of the research scope in contrast to the literature concerning the nature and dynamics of partnerships between non-profit and for-profit actors (e.g., Morvaridi, 2012) as well as the perceived shift from autonomy to accountability regarding major donors (e.g., Verbruggen, Christiaens, & Milis, 2011). Both were disregarded because they tend to discuss the supra-organizational impact of civil society organizations becoming more business-like. Publications published on the WoS which were within the scope were included in the literature sample. The same rigor was applied to book chapters.
- Articles which were not published on the WoS but in a journal currently part of the WoS and considered relevant were subjected to an additional criterion, i.e. the Google Scholar citation count, which showed a twofold concentration of publications with a count under and well above 100. All articles with a citation count higher than 100 were included in the literature sample. In total, we selected 85 articles and eight book chapters based on the sample of Maier et al. (2014).

Given that their exploratory exercise ended in July 2014, we performed an additional search for the time span 2014-'16 by running a search on the WoS based on predefined search terms (Table 1) and a standardized selection process (Annex – Figure 2). This search resulted in the identification of ten publications. However, the use of 'citation count' as a parameter for selection causes a sampling bias: new publications are not likely to be much cited. Therefore, one could argue that the process of data sorting based on citation count leads to overrepresentation of 'older' articles.

**Table 1. Topic related search terms (WoS)**

business-like	Professionalization
managerial*	philantro*
marketization, marketed	commerciali*
Social entrepreneurship, social enterprise	conversion
Economization	

In order to compensate for this bias, we conducted a comprehensive scan of the three top tier non-profit journals, namely *Voluntas*, *Non-profit Management & Leadership*, and *Non-profit and Voluntary Sector Quarterly*.<sup>3</sup> An additional eighteen publications were identified. Finally, we identified through back- and forward snowballing four more articles. On the whole, we selected 125 publications in our literature sample, concerning the organizational changes and effects of non-profits becoming more business-like. However, due to non-accessibility, we were not able to process 17 articles. The literature sampling was conducted from the 14<sup>th</sup> of April to the 9<sup>th</sup> of May 2016. As of August 2016, we were able to analyse 68 of the 108 publications (63%).

## 2.2. Literature processing

Because of the rather large number of publications, a two-step strategy was developed in order to process the literature in a controlled way. Based on an explorative scan of the literature as well as the conceptual mind map provided by Maier et al. (2016, 70), we classified them according to the matrix structure presented in figure 1, i.e. what (sub)trend is manifested on what organizational level? We ranked every article within each segment according to their Google Scholar citation rank – the most available and consistent yardstick for comparison; “every publication has a google scholar citation count”. This intermediate step, unravelling the body of literature both thematically and conceptually, allowed us to gain a quick overview of the field and proved to be an effective stepping stone for a

<sup>3</sup> In the process of selecting relevant publications from the list provided by Maier et al. (2014), of the 168 publications that were not individually published on the WoS but in a journal which is currently part of the WoS, 66 publications were published in these 3 journals of a total 70 identified journals. Or put differently, 39% of the selected publications were published in 4% of the journals, reflecting the hegemony of *Voluntas*, *Non-profit Management & Leadership* and *Non-profit and Voluntary Sector Quarterly* in the non-profit research field.

Figure 1. Classification scheme 'internal changes and effects as a result of becoming more business-like in the non-profit context'<sup>4</sup>

		Mission (Minkoff & Powell, 2006) – 97	Governance (Ostrower & Stone, 2006)	Management	Consequences
<p>(Maier et al., 2016)</p> <p><b>Managerialization</b></p> <p>(Emerson, Twersky, &amp; Fund, 1996) – 354 (Dart, 2004a) – 348 (Evers, 2005) – 264 (Bode, 2006) – 168 (Thomas, 2004) – 138 (Slaughter &amp; Cantwell, 2012) – 72 (Harris, 2012) – 21</p>	<b>Corporatization</b>		<p>(Alexander &amp; Weiner, 1998) – 182 (Maier &amp; Meyer, 2011) – 55 (McDermont, 2007) – 15 (Blaschke, Frost, &amp; Hattke, 2014) – 5 (Van Puyvelde, Caers, Du Bois, &amp; Jegers, 2016) – 3</p>		
	<b>Marketization</b>	<p>(Eikenberry &amp; Kluver, 2004) – 660 (Kerlin, 2006) – 492 (Defourny &amp; Nyssens, 2010) – 477 (Alexander, 2000) – 253 (Frumkin &amp; Andre-Clark, 2000) – 245 (Alexander, 1999) – 156 (Vázquez, Álvarez, &amp; Santos, 2002) – 133 (Eikenberry, 2009) – 122 (Cooney, 2006) – 119 (Battilana &amp; Lee, 2014) – 117 (Sanders &amp; McClellan, 2014) – 26 (Smith, Cronley, &amp; Barr, 2012) – 26 (Young &amp; Lecy, 2014) – 22 (Monaci &amp; Caselli, 2005) – 19 (Sanders, 2012) – 19 (Omar, Leach, &amp; March, 2014) – 18 (U. P. Jäger &amp; Schröer, 2014) – 16 (Schmid, 2013) – 12 (Sturgeon, 2014) – 4 (Froelich, 2012) – 3 (Child, 2015) – 2 (Kim, 2015) – 0</p>	<p>(Mason, Kirkbride, &amp; Bryde, 2007) – 150 (Bush, 1992) – 124 (Voss, Cable, &amp; Voss, 2000) – 120 (Stone, 1996) – 95 (Ebrahim, Battilana, &amp; Mair, 2014) – 33 (Åberg, 2013) – 12 (Considine, O'Sullivan, &amp; Nguyen, 2014) – 2</p>	<p>(Hammack &amp; Young, 1993) – 89 (Claeyé &amp; Jackson, 2012) – 15 (Walker, 1998) – 13 (D. Baines, Charlesworth, &amp; Cunningham, 2014) – 12 (Johansen &amp; Zhu, 2014) – 10 (Kirkman, 2012) – 8 (Ledin &amp; Machin, 2015) – 6 (Chad, 2013) – 5 (Hustinx &amp; De Waele, 2015) – 0</p>	<p>(Dart, 2004b) – 676 (Voss &amp; Voss, 2000) – 589 (Rodríguez Cano, Carrillat, &amp; Jaramillo, 2004) – 551 (Wood, Bhuian, &amp; Kiecker, 2000) – 211 (Shoham, Ruvio, Vigoda-Gadot, &amp; Schwabsky, 2006) – 123 (Felício, Martins Gonçalves, &amp; da Conceição Gonçalves, 2013) – 40 (Arvidson &amp; Lyon, 2014) – 31 (Meyer et al., 2013) – 24 (Gras &amp; Mendoza-Abarca, 2014) – 16 (Carnochan, Samples, Myers, &amp; Austin, 2014) – 13 (Liu, Takeda, &amp; Ko, 2014) – 8 (Grieco, Micheline, &amp; Iasevoli, 2015) – 7 (Wong, 2008) – 7 (Kuosmanen, 2014) – 4 (Walk, Greenspan, Crossley, &amp; Handy, 2015) – 2 (Andersson &amp; Self, 2015) – 0</p>
	<b>Becoming more entrepreneurial</b>	<p>(McDonald, 2007) – 200 (Grohs, Schneiders, &amp; Heinze, 2013) – 8</p>	<p>(Coombes, Morris, Allen, &amp; Webb, 2011) – 48</p>		<p>(Bhuian, Menguc, &amp; Bell, 2005) – 361 (Pearce II, Fritz, &amp; Davis, 2010) – 108 (Chen &amp; Hsu, 2013) – 15</p>
	<b>Professionalization</b>	<p>(Kreutzer &amp; Jäger, 2010) – 96</p>	<p>(Abzug &amp; Galaskiewicz, 2001) – 142 (Suarez, 2010) – 30</p>	<p>(Hwang &amp; Powell, 2009) – 342 (Baines, 2010) – 54 (Vantilborgh et al., 2011) – 31</p>	<p>(Ogliastri, Jäger, &amp; Prado, 2015) – 0</p>

<sup>4</sup> Underlined publications are processed, publications marked red inaccessible.

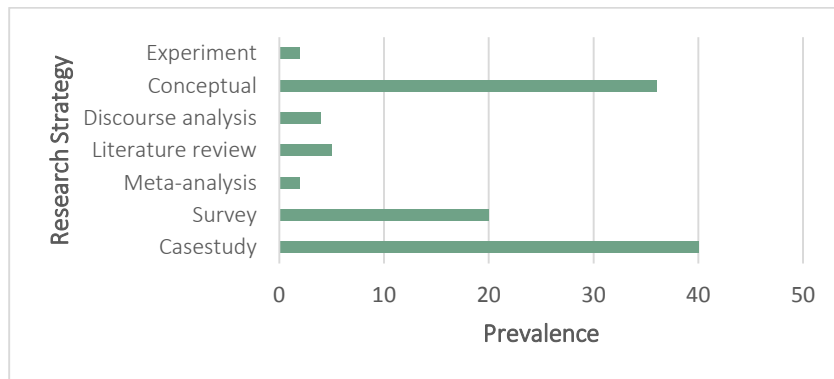
			(Ganesh & McAllum, 2012) – 23 (Brandsen, 2009) – 19 (Donna Baines, Cunningham, & Fraser, 2011) – 13 (Yarwood, 2011) – 8 (Nagel, Schlesinger, Bayle, & Giauque, 2015) – 1 (Bish & Becker, 2015) – 0	
<b>Business-like philanthropy</b>	(Cho & Kelly, 2014) – 5		(Shaw & Allen, 2009) – 12	(Mano, 2015) – 1
<b>Commercialization</b>	(Froelich, 1999) – 479 (Salamon, 1993) – 265 (Tuckman, 1998) – 199 (Weisbrod, 1998d) – 139 (Backman & Smith, 2000) – 135 (Young, 1998) – 105 (Weisbrod, 1998c) – 92 (Jones, 2007) – 78 (Weisbrod, 1998b) – 77 (James, 1998) – 65 (James, 2003) – 59 (Segal & Weisbrod, 1998) – 57 (Anheier & Toepler, 1998) – 51 (Powell & Owen-Smith, 1998) – 51 (Jäger & Beves, 2010) – 46 (Steinberg & Weisbrod, 1998) – 45 (H. P. Tuckman & Chang, 2006) – 40 (Chikoto & Neely, 2013) – 34 (Toepler, 2006) – 30 (Warshawsky, 2010) – 29 (Adams & Perlmutter, 1995) – 26 (Weisbrod, 1998a) – 19 (Garrow & Hasenfeld, 2012) – 14 (McKay, Moro, Teasdale, & Clifford, 2015) – 13 (Thompson & Williams, 2014) – 8	(Hodge & Piccolo, 2005) – 117 (Vidovich & Currie, 2012) – 8	(Binder, 2007) – 218 (Fisher & Atkinson-Grosjean, 2002) – 99	(Balabanis, Stables, & Phillips, 1997) – 228
<b>Conversion</b>	(Kistruck & Beamish, 2010) – 101 (Child, Witesman, & Braudt, 2015) – 3 (J. H. Goddeeris & B. A. Weisbrod, 1998) – 1			(Tiemann & Schreyogg, 2012) – 48 (Grabowski & Stevenson, 2008) – 47

focused approach by starting to read first the highest-ranked publication of each segment, then the second highest-ranked publication and so on.

### 2.3. Key research designs

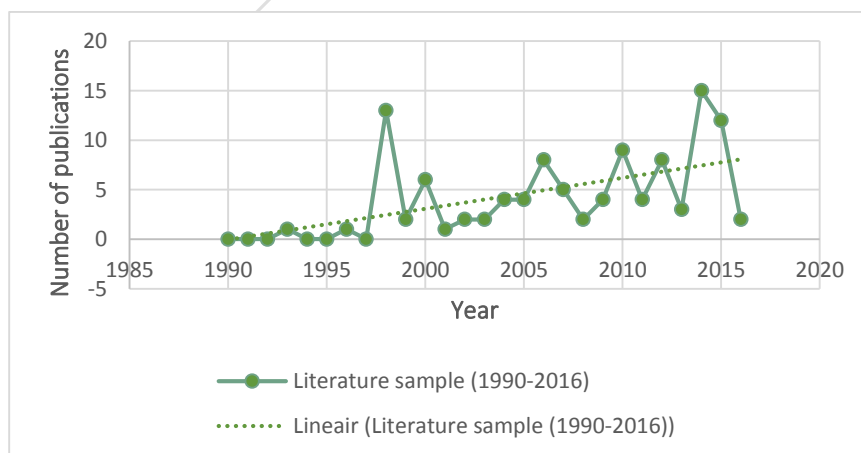
Analogous with the explorative scan, we indexed the publications under scrutiny according to research strategy, data sources, measurement scales as well as regional focus. Qualitative case studies (36%) emerged as the most prevalent research strategy, supplemented by quantitative-based survey research (18%). In contrast to these empirical research designs, one third (33%) of the sample is conceptual of nature, i.e. predominantly supported by theoretical arguments, mirroring the relative recent academic attention for the subject.

**Graph 1. Civil society organizations becoming more business-like. Key research designs (n = 109)<sup>5</sup>**



Indeed, graph 2. indicates that in the wake of the New Public Management (NPM) reforms, scholarship on non-profits becoming business-like rose steadily. Interestingly, there are two experimental research designs within our sample (Andersson & Self, 2015; Smith et al., 2012), reflecting the broader development of a new research line of ‘behavioural public administration’ within the public administration (PA) research field (e.g., Tummers, Olsen, Jilke, & Grimmelikhuijsen, 2016). The use of experiments within PA can contribute to our understanding of individual actors within as well as towards non-profit organizations.

**Graph 2. Organizational impact of CSOs becoming business-like. Growing academic interest (n = 108)**



<sup>5</sup> The study by Smith et al. (2012) consisted out of a case study as well as two experiments and was therefore categorized as ‘case study’ as well as ‘experiment’. This was the only study to receive a double count in terms of research strategy within our sample.

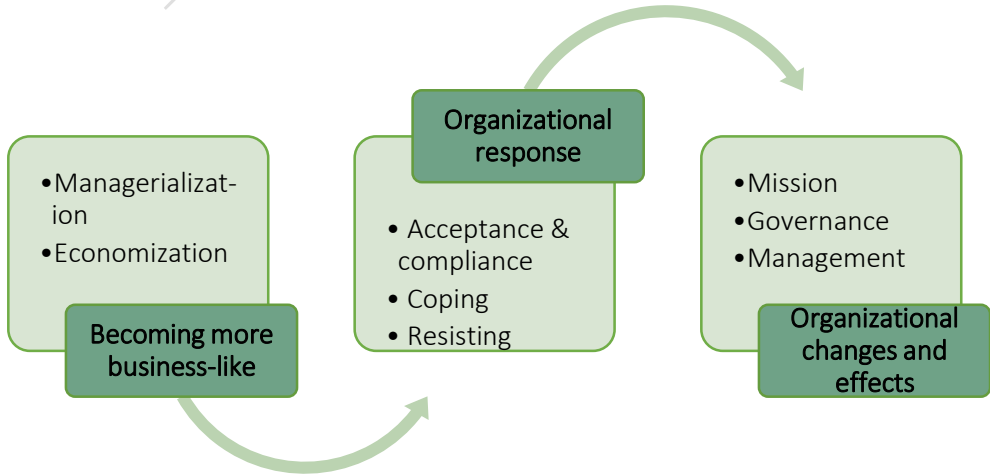
In terms of sources, three elements stand out. First, the majority of the publications under review use multiple sources, which allows data triangulation (e.g., Arvidson & Lyon, 2014). Especially the analysis of organizational and policy documents as well as interviews with key actors were omnipresent. However, several case studies warned for an ‘executive bias’, i.e. due to the sole focus on interviews with executive directors in combination with analysis of organizational documents provides an inherently normative reflection of the organization. Consequently, a multi-level research design, drawing from multiple data sources will present the most accurate image regarding the organizational impact of becoming more business-like. Second, in regard to the trend of commercialization, scholarship is predominantly supported by the quantitative analysis of tax forms – e.g. form 990 in the US, form T3010 in Canada – which can be consulted for research purposes in most modernized countries. Thirdly, several studies provide quantitative frameworks to measure business-like dynamics in the non-profit setting, e.g. corporatization (Alexander & Weiner, 1998), entrepreneurial orientation (Pearce li et al., 2010), professionalization (Hwang & Powell, 2009), adherence to organizational values (Voss et al., 2000), financial vulnerability (Hodge & Piccolo, 2005) etc.

And last but not least, regional classification pointed to an overrepresentation of Anglo-Saxon focused research (62%) and an underrepresentation of European focused research (13%).<sup>6</sup> Studies with a Transatlantic focus constituted for 3% of the sample. This finding is rather problematic, i.e. there is scant knowledge on the prevalence of business-like dynamics within West-European CSOs. Are all parts of the non-profit sector as susceptible for hybridization towards the market? Are their cross-national differences? Furthermore, given the rather narrow scope of case study research as well as the lack of empirical evidence in conceptual research, one can ponder the question whether findings in the Anglo-Saxon setting are generalizable to the European context.

### 3. Examining becoming business-like on the organizational level. An approach

From an organizational viewpoint, the process of ‘businessification’ (Alexander, 2000, p. 301) can be framed as a logic sequence of actions (figure 2). Facing the pressure to become more business-like, which can originate internally and/or externally, organizations can choose to respond by adapting, coping or resisting to these demands. Organizational variables such as mission, strategy and management are affected accordingly.

Figure 2. The process of becoming business-like from an organizational viewpoint



<sup>6</sup> Given their conceptual angle, it was not possible to discern a regional focus for 16% of the publications.

For the sake of a clear argument, it is essential to briefly dwell upon this conceptual sketch. Given that the definition of business-like concepts is interwoven with the mapping of organizational changes and effects due to businessification, this section elucidates on organizational response strategies and the organizational variables of our 'inner focus'.

### **3.1. Organizational response strategies**

In general, scholarship focuses on the causes and outcomes of becoming business-like, manifested through adaptation of business-like practices, values and/or ideas. However, alternative organizational responses such as coping and resistance strategies remain to date largely unexplored (Kim, 2015).

#### **3.1.1. Coping mechanisms**

In regard to coping strategies, both the act of 'balancing' and 'decoupling' emerged as prime examples. Balancing efforts aim to introduce a business rationale while actively guarding the social focus of the organization in order to secure organizational legitimacy (Jäger & Beyes, 2010). Jäger and Beyes (2010) identify three balancing practices in the case of a Swiss cooperative bank. First, in line with the cooperative character, the bank managers and board directors *supported divergent views* during discussions with the members in order to foster intra-organizational relationships. Second, most of the executive decisions towards becoming more commercial were at first noncommittal and negotiable to a certain degree. The ratio behind this 'step-for-step' approach was to *protect stabile relationships* with the regional and local departments during the transition towards becoming more profitable. Third, the executive management accentuated that a part of the seemingly new strategies was either *not new at all* (only the term was) or built on existing day-to-day practices in order to 'soften' the feeling of change. While balancing builds on the notion that the proposed change can coincide with the organizational identity when supported with conscious change management, decoupling departs from the opposite stance. It can be defined as the discrepancy between what an organization *says* its doing and what it is *actually doing* (Arvidson & Lyon, 2014, p. 871). For instance, Åberg (2013) shows how the traditional ideological adherence of Swedish study associations is at odds with their organizational strategy for securing funds. Although emphasizing their traditional roots, several associations added new member organizations with different ideological stances in order to compensate for a declining member base.

#### **3.1.2. Resistance mechanisms**

Resisting businessification can be manifested on both individual or organizational level. Several authors point to passive resistance mechanisms, i.e. staff members paying lip service to organizational policy but in fact refuse to act accordingly. Binder (2007, p. 565), for instance, learned in an interview with the director of Family Support – a US shelter for people facing poverty – that the former director of the department refused to resort to '*consequencing*', i.e. the practice to hand out penalties to residents when failing the demanded progression. When asked, the actual director stated that her predecessor didn't believe in the system. She kept track of progression, but when residents came short, she didn't act upon it. This example emphasizes the relative power of the 'street-level' professional: in the end, they decide themselves how to deliver the organizational service(s). Baines (2010) observes an increase of social unionization among non-profit workers, who felt that the neoliberal management models were at odds with the participative values and charitable esprit of the organization.

Analysing South-Korean workfare organizations<sup>7</sup>, Kim (2015) discusses three resistance strategies on the organizational level in response to increasing market competition. First of all, neighbouring workfare centres actively associated with each other in order to limit competition. Secondly, in addition to closer collaboration, the centres merged several programs in order to maximize their outputs as well as to compete more effectively against private companies. Kim (2015) labels these mechanisms respectively as cartel- and consortium building. Thirdly, centres agreed on 'internal trading'. Many programs offered to the long-term unemployed resulted in products (e.g. soaps, snacks, clothing, etc.) which weren't better nor cheaper produced their market counterpart. Consequently, they divided the type of products among each other – e.g. one centre focusing on clothing, another on health-related products, etc. – in order to artificially create mutual dependency. Every centre constituted a part of a production chain of goods that they all needed and exclusively bought from each other. In sum, these street-level resistance mechanisms, although subtle and practical of nature, show that organizational configuration not only coins the non-profit as a 'space of service' but potentially also as a 'space of resistance' (Kim, 2015, p. 213).

### **3.2. Composing the internal focus. Organizational variables**

The organizational response regarding businessification affects the organizational design and functioning. Therefore, we approach the internal configuration of civil society organizations through three interconnected layers of analysis, i.e. mission, organizational governance and management.

#### **3.2.1. Mission**

The mission statement expresses the long-term purpose of the non-profit, the achievement of which is its very reason of existence. The pursuit of social value, embodied by the mission statement and the non-distribution constraint, legitimizes the existence of the non-profit organization and serves as an organizational compass; it inspires to act but at the same time delimits the framework to act within (Minkoff & Powell, 2006, p. 592). Building on the notion "if you don't know what you're doing, then, what are you doing?", McDonald (2007, 260) stresses the importance of a clearly stated mission in order that all organizational actors know, understand and support the organizational purpose. He cites for instance a CEO of a large US hospital who reprinted the organizational mission and values on plaques in the corridors, which functioned as everyday visual reminders for personnel. In addition to staff adherence, McDonald (2007) argues that a clear mission also aids in developing as well as implementing organizational innovation in favour of mission fulfilment.

#### **3.2.2. Governance**

Organizational or internal governance is commonly approached through a design-functionality nexus, i.e. by analysing the organizational architecture with regard to its intended functions and vice versa. This design-functionality configuration is driven by underlying organizational values. In order to explain the value orientation of social or philanthropic governance, it is often contrasted with corporate governance (e.g., Alexander & Weiner, 1998; Mason et al., 2007) which can be defined as the body of rules by which private companies are controlled and directed. Whereas the former stresses the values of community participation (e.g. democracy, inclusiveness, etc.), the latter emphasizes entrepreneurial values such as risk taking, competitive positioning, innovativeness, etc.

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<sup>7</sup> Kim (2015, p. 208) defines 'workfare' as *programmes and schemes that require people to work in return for social assistance benefits. [...] workfare have often been criticised for being a punitive, market-oriented neoliberal policy.*

Although recent literature on organizational governance within civil society organizations often lacks explicit definitions regarding 'organizational governance', the predominant focus is clearly on the composition, functioning and effectiveness of the board of large-scale Anglo-Saxon non-profit organizations (Ostrower & Stone, 2006). Furthermore, this notable subfield of board research is commonly approached through (a combination of) the agency, stewardship, stakeholder or contingency framework (e.g., Mason et al., 2007).

Both the agency and stewardship theory are rooted on the clear distinction between board trustees and executive managers. Whereas the former frames governance as control in order to ensure compliance of staff members, the latter departs from the opposite stance by assuming that management staff do not intend to deceive stakeholders but are intrinsically motivated to perform their job within the organizations' interest. Consequently, proponents of the agency theory prescribe a strict separation between board and management, in contrast to adherents of the stewardship view, who argue that a staff member presiding the board and managerial autonomy will bolster efficient collaboration.

By focusing on the organizations' responsibility towards different groups in society, the stakeholder approach broadens the theoretical scope of the debate. This thesis acknowledges the interest of all the stakeholders involved inside and outside the organization and argues that the composition of the board should be a (representative) sample of the stakeholders.

Whereas the agency, stewardship and stakeholder theory are all prescriptive in nature, the contingency approach argues that there is no ideal governance model. From this perspective, it is not important as to which actor fulfils governance functions, as long as they are performed. According to this stance, governance configuration is shaped along the fault lines of specific organizational needs and demands, resulting in a 'custom-made' governance model. As a result, the contingency approach explains the diversity of governance configurations within civil society organizations.

However, this rather narrow approach – i.e. reducing the field of organizational governance to the study of board composition and functioning – fails to acknowledge the role of managers, staff, members, consultants, advisory groups, volunteers etc. within the internal steering process. Managers for example, prepare notes and proposals for board meetings and are responsible for the street-level implementation of board decisions. Furthermore, research on governance arrangements in small-scale community-based organizations, which are often characterized by a blurry division between governance and management, remains scant to date (Ostrower & Stone, 2006).

In general, one could argue that organizational governance is primarily coined in terms of control and oversight with regard to the social mission (Abzug & Galaskiewicz, 2001, p. 51), whereas management refers principally to the executive dimension of the organization, thereby acknowledging the inherent capacity of each actor to steer and act within the organizational boundaries. The goal of good governance is to structure the organization in a performant manner in order to realize the social mission within accepted ethical boundaries.

### **3.2.3. Management**

Management is comprised of three interrelated dimensions, i.e. a normative, a strategic as well as an operative layer. Whereas the normative dimension is primarily reflected in the organizational values, the strategic dimension goes out to putting the organizational mission into practices while the operative layer conforms with the stereotypical image of day-to-day project management. Consequently, it touches upon many issues such as HR, partnerships, innovation, process improvement, etc. Although not explicitly defined within our literature sample, authors tend to converge on the point that professionalization, and by extension marketization, led to the introduction of formal evaluation tools,

audits and strategic planning as well as a demand for consultancy (Hwang & Powell, 2009). This process is driven by the belief that the adoption of corporate management concepts and practices will increase organizational performance (e.g., Dart, 2004, pp. 199-200).

## 4. Becoming more business-like. Organizational changes and effects

### 4.1. Managerialization

Managerialism can be defined as the belief that organizations can and should be organized and operating according to corporate management ideas and practices (Maier et al., 2016, p. 70; Meyer et al., 2013, p. 173), managerialization as the process of putting this belief into practice. It is traditionally associated with a clear distinction between input and output, strong predictability of organizational outcomes and entrepreneurial values (e.g. innovation, risk-taking).

Drawing on discourse analysis theory, Meyer et al. (2013) develop a robust framework to examine the role of managerialism within the legitimation process of civil society organizations. They define three legitimating accounts – linguistic constructions that aim to justify ideas or actions – that point to managerialist influences: efficiency and effectiveness (E&E), stakeholders needs and innovation. Each of these accounts embody a different aspect of managerialism.

Based on a quantitative and qualitative discourse analysis of annual reports, produced by Austrian social service organizations between 1995-2008, Meyer et al. (2013, pp. 190-191) state that their main finding – a shift from the ‘E&E’ argument to the ‘innovation’ argument as most frequent legitimating account – might herald a *new stage of managerialism*. In the 1990s, the early diffusion of managerial ideas and concepts into civil society, resistance was still substantial. By 2008, the importance of an efficient and effective operational processes is generally accepted within the third sector. Instead, innovative behaviour became a more distinctive characteristic to legitimize oneself as an organization.

Although succeeding in capturing some key dimensions of managerialism, Meyer et al. (2013) rightly indicate that their operationalization doesn’t cover the whole range of the concept. Consequently, in order to improve further empirical research regarding the practical implementation of managerialist accounts within non-profit organizations, we explore the organizational components – i.e. governance, stakeholders, organizational values, organizational design, etc. – amenable for managerialization in the following sections.

#### 4.1.1. Corporatization

Corporatization refers to the adoption of corporate governance practices by non-profit organizations. Alexander & Weiner (1998, 225) argue that *adopting corporate governance [...] is not as simple as adding a new board member or making minor adjustments to the organization’s bylaws*. Rather, corporatization mirrors a systemic transition to for-profit practices as well as values within the act of organizational steering. In their view, hybrid configurations are possible but will generate intra-organizational tensions due to selective borrowing. Alexander and Weiner (1998) characterize the corporate – and philanthropic board as opposites.

Based on a survey directed to 1800 American non-profit hospitals, they found that better performing, larger hospitals were more likely to introduce corporate governance than their smaller counterparts, pointing to an intriguing paradox in the literature. On the one hand, becoming more business-like is advanced as a lifeline for organizations facing financial crisis (e.g., Salamon, 1993), while at the other hand empirical research points out that rather successful organizations are becoming more business-like. The latter finding supports the notion of ‘slack resources’ as a necessity for innovation, i.e. in

financial 'good times', organizations have the margin to experiment with program – as well as managerial innovation (Alexander & Weiner, 1998, p. 226). Furthermore, corporatization proved to be a non-linear process. Most hospitals displayed a combination between social- and corporate governance models, thereby underlining the complexity of hybridization in general.

McDermont (2007) describes the transition from housing associations in the UK, traditionally associated with voluntary, non-profit ethos, into a state-controlled agency called 'The Corporation' in the 1980s. Consequently, these associations became concerned with corporate governance, manifested among other things through the change from a management committee to a board of trustees as the prime governing body. Corporatization occurred through two interconnected layers, i.e. through direct governing and governing at the distance. Whereas the former refers to the composition of the board – tenants were directly represented –, the latter points to the introduction of corporate values and practices (e.g. strict time management, a formal agenda, etc.) as well as the incorporation of 'independent' members. In this case, McDermont (2007) points to 'a dark side' of corporatization. The professionalization of governing led to the rationale that a board trustee could only speak up on a subject when this was considered to be within his or her field of expertise. Accordingly, tenant governors were encouraged to speak 'authoritatively' on housing issues such as adequate repairs, affordable rents, etc. However, these demands, which were in conflict with the interests of the house owners, were 'objectively' countered by independent experts in law and finance. Consequently, corporatization led to board meetings best characterized as a 'limited marketplace of options' in which one has to decide rationally, thereby depoliticizing and 'technicizing' organizational governance.

#### **4.1.2. Marketization**

In the context of the devolution of US federal social programs in the early 1980s, i.e. the shift of social service delivery from federal to state level, Salamon (1993, 17) coined the term 'marketization' as *the penetration of essentially market-type relationships into the social welfare arena*. Furthermore, he pointed at the expansion of commercial activity of human service organizations as a response to rising competition for governmental funding. This reform effort, aiming for a more efficient welfare (re)distribution, was firmly rooted in the NPM paradigm by establishing quasi-markets (e.g., McDermont, 2007, p. 75) as well as a thorough introduction of management techniques within non-profits.

A case in point is provided by Alexander (2000), who studied the responsive strategies to the 1980s reforms of more than two hundred social service organizations in Ohio. As organizations were confronted with a tighter funding base, several organizations opted for strategic expansion by including new services and target groups. However, if this broader service scope fell outside the organizations core expertise, mission displacement lurked around the corner, to the potential dislike of existing donors (Alexander, 2000, pp. 293-294). Second, civil society organizations took over management techniques. CSOs underlined in particular the usefulness of strategic planning in support of shifting organizational course, expansion of technological capacity in order to comply with increasing accountability demands as well as marketing for increasing gift revenue. An important caveat in this regard was the potential loss of internal stakeholders, given that their prime motivation is often linked to an organizational aspect that is subject to change.

In addition to this macro-perspective, i.e. marketization as the introduction of market-based ideas and practices within a national welfare system (e.g., Eikenberry & Kluver, 2004; L. Salamon, 1993), the concept became increasingly established in organizational research, referring to the emergence of market-type relationships vis-à-vis organizational stakeholders (Maier et al., 2016, p. 70). Although

often used as a *pars pro toto* in the public debate, i.e. the use of 'marketization' to denote civil society organizations 'becoming more business-like', we opt for the narrower conceptualization given the angle of this paper. Accordingly, sub-trends like consumerism, commodification market orientation and social entrepreneurship are characterized by a market-oriented approach to respectively end-users, services and products, their relative position within their organizational field and organizational strategy.

### Commodification

Commodification refers to the alignment of organizational deliverables to the market rationale. Dart (2004a) aptly describes a commodification process in a Canadian community service organization which provides various forms of counselling and interpersonal support. In order to get rid of the perennial waiting list without hiring extra staff, the focus of the organization shifted from long-term to short-term therapy focusing on clear-cut problems relatively easy to tackle instead of discussing the main issue(s) at large. Or put differently, organizational activity (supply) was adjusted to public demand, thereby reaching more clients at the cost of *providing* a more superficial service.

### Consumerism

Sturgeon (2014, p. 406) argues that *the increasing centrality of consumption to people's lives marks the transformation of 'consumption' to 'consumerism' characterised by the mass commodification of goods and services*. Indeed, consumerism, a market-based approach towards the end-user of a service or good, has become a way of life in our current society. According to Eikenberry (2009, p. 583), *consumers are self-interested individuals making choices to meet their material needs and desire in the marketplace, whereas citizens share in the authority, responsibility, and dignity of public life*. Sturgeon (2014) shows how the liberalisation of the UK healthcare market, i.e. from the National Health Service (NHS) state agency to any 'qualified' provider, met the demands of healthcare consumers. Building on the notion of 'fighting death is meaningless, fighting the causes of death constitutes the meaning of life', private actors, scientists as well as the NHS continuously aimed to improve healthcare services. While proponents of this trend point to better value for tax money, opponents contend that soaring levels of commodification and consumerism lead to rising health inequalities as well as a fragmentation of the healthcare, as more providers enter the market place.

### Market orientation

Primarily rooted in the marketing literature (Rodriguez Cano et al., 2004, p. 179), market orientation refers to the organizational process of gathering of, and responding to intelligence regarding customers, products and competitors (Wood et al., 2000, p. 213). Analogous with business research, the central question in the non-profit debate goes out to the direction and strength of the correlation between market orientation and organizational performance.

Findings are equivocal. Based on a meta-analysis, Rodriguez Cano et al. (2004) show, among other things, that 'early adopters' within non-profit circles gain a competitive edge in regard to their organizational counterparts, which is manifested through a stronger capacity for obtaining resources regardless to the organizations' objectives. However, they nuance this finding, given that only 12% of organizational performance can be attributed to market orientation, leaving substantial room for other variables. Wood et al. (2000) show that non-profit hospitals with a high market orientation are more efficient than their counterparts with a lower market orientation.

Voss and Voss (2000) examine whether one of marketing's fundamentals is accurate in the context of the non-profit artistic setting; does customer orientation leads to the 'logical' sequence of better understanding of customer demands, improving customer satisfaction and thus increasing

organizational performance? This proved not to be the case, leading to Voss and Voss (2000, p. 79) suggesting that *a blanket extension of marketing wisdom drawn from mainstream applications may not be appropriate* for non-profit arts organizations. Nuancing this finding, Voss et al. (2000) show that a shared value framework proves to be a key factor in identifying external constituents, thereby suggesting that market-oriented values lead to increased market orientation regarding funding sources, human resource allocations as well as program decisions.

### Social enterprise

For over two decades, civil society has experienced a growing prevalence of social enterprises, a trend generally welcomed by policy makers. Indeed, social entrepreneurship is increasingly depicted as the *paramount way* to manage an organization (Andersson & Self, 2015, p. 2721; Dart, 2004b). Andersson and Self (2015) illustrate that strategies related to social entrepreneurship are perceived as more effective. This 'social entrepreneurship bias' result in new promising research avenues regarding (acclaimed) effectiveness and social entrepreneurship, i.e. how far can this positive attribution be stretched? To what degree can we coin social entrepreneurship as a form of branding? Does all type of donors embrace social entrepreneurship as a positive evolution?

However, the ontological debate as to 'what a social enterprise is' remains far from being settled. Defourny & Nyssens (2010) point to two predominant schools of thought. First, the earned income school emphasizes the use of commercial activities by CSOs in support of their mission by stressing that 50% or more of the organizational turnover must be market-based in order to qualify as a social enterprise (e.g., Gras & Mendoza-Abarca, 2014). Traditionally, this line of thinking is further divided into two approaches, i.e. the narrow 'commercial non-profit approach' which focuses predominantly on non-profit organizations, and the broader 'mission-driven business approach' which includes all types of businesses. Secondly, the social innovation school defines social entrepreneurs as change makers that actively seek to innovate on the organizational and/or service delivery level in order to enhance their social impact. In sum, whereas the former school of thought takes 'income' as the predominant principle, organizational outcome forms the main criterion for the latter.

Given that both theoretical bodies regard the creation of social value, rather than the distribution of profit, as its core mission (Defourny & Nyssens, 2010, p. 44), the main challenge of conceptualizing 'social enterprise' can be reduced to a question of delimiting the wide spectrum of initiatives and practices by defining the outer points. US academia and consultancy firms are the main proponents of a broad understanding of social enterprises, asserting to include those organizations that fall along a continuum from major firms seeking to enhance their social impact by setting up a corporate social responsibility (CSR) program, to dual-purpose businesses combining a social mission with commercial objectives, to mission driven non-profit organizations. While this stance finds followers in Europe (e.g. Ashoka, Social Innovation Europe), the European EMES-research network limits the field of social enterprises to the non-profit sector and social cooperatives by formulating nine 'ideal-type' parameters (Defourny & Nyssens, 2010; Kerlin, 2006, p. 249). Contrasting with the notion of the 'social enterprise' as a spectrum of organizational forms, the EMES delimitation serves as a *kind of coordinate system or compass which can help anyone to locate the position of the observed entities relative to one another* (Young & Lecy, 2014, p. 4). Young and Lecy (2014) approach the field of social enterprise as a zoo consisting of six types of different animals, i.e. socially responsible corporations, hybrids, social purpose businesses, public-private partnerships, commercial non-profits as well as social cooperatives. This zoo-metaphor, acknowledging the richness of the study of social enterprise, posits that every species within the research field needs particular analysis. How narrow should the zoo be defined? Which type of

animals are inimical/favourable to each other? Which animals can be domesticated for the benefit of society, which are doomed to remain wild?

Kerlin (2006) asserts that the concept of 'social enterprise' in the Belgian context refers to service organizations developing commercial activities on the one hand and the 'work integration social enterprises' (WISE) on the other hand, which aim to make amends for prolonged unemployment by providing vocational training in a commercial environment. A case in point are the Flemish 'kringwinkels', a chain of more than 100 second hand shops. It intends to transfer soft skills to low qualified, long-term unemployed through the process of selling budget-friendly clothing and furniture. However, several scholars define social enterprise as organizations that seek to solve social problems through market-based mechanisms (e.g., Battilana & Lee, 2014). If interpreted narrowly, one could argue that organizations that develop commercial sidelines are not to be labelled social enterprises. Rather, they are undergoing a process of 'commercialization'; development of commercial activities is not pivotal for, but supportive of mission realization and/or organizational survival. Therefore, we propose a more 'narrow' reading of the concept, i.e. social enterprises as non-profit organizations adopting a business rationale which is pivotal for addressing a social issue. From this angle, WISEs can be considered an ideal-type example.

Several scholars argue that the pursuit of a social/business 'double bottom line' (Emerson et al., 1996) can give rise to organizational tensions. Based on an ethnographic case study of an American WISE, Cooney (2006) illustrates aptly that social enterprises face both business risk in the form of competition within their economic niche as well as market risk due to broader economic trends. Subjected to the supply and demand mechanism, the in-house training of the client-employee ranged 'inventing work' when demand was low to rearranging the educational blueprint when demand was high, resulting in a lesson sequence which made no sense (Cooney, 2006, 155-156).

A case study of a Belgian social grocery, conducted by Hustinx and De Waele (2015), identifies three strategies adopted by staff members in order to cope with the competing business- and social welfare logic on street-level management: (1) implicit categorization between 'weak' and 'strong' participants resulting in differential learning opportunities, (2) taking over instead of providing supportive assistance at difficult moments, and (3) internal rationalization of the workforce. These managerial practices, favouring the business logic over the social welfare dimension, were bolstered by rising levels of poverty resulting in more customers to be served in the same time amount. Furthermore, Cooney (2006) points out that the managerial values of the professionals, who had to compete for governmental contracts in order to provide work for the client-employees, were at odds with the value framework of the client-employees, which were not willing or capable to work in the weekends nor in a high-pressure environment.

#### **4.1.3. *Becoming more entrepreneurial***

Strongly related to several concepts discussed above, 'becoming more entrepreneurial' can be referred to as the incorporation of market-based values such as risk-taking, innovation etc. on an organizational level (Pearce li et al., 2010), contrary to corporatization, which (only) points to the embracement of market-based organizational values in terms of organizational steering mechanisms. Whereas social enterprises are often framed in terms of earned income or social outcome resulting from organizational activities, the concept of 'becoming more entrepreneurial' refers primarily to entrepreneurial *behaviour* within an organization. Nonetheless, several authors contend that conceptual boundaries between social enterprise, commercialization and becoming more entrepreneurial are rather slim.

Gras and Mendoza-Abarca (2014) argue that entrepreneurial behaviour and commercial activities are intrinsically intertwined. Earned income practices demand the exploitation of market opportunities, a certain degree of risk-taking as well as the development of new programs and/or a subsidiary. All these elements are core-characteristics of entrepreneurship. However, while it is true that the development of commercial sidelines demands entrepreneurial skills, this doesn't mean that an entrepreneurial organization will develop commercial activities by default.

Departing from the notion that social enterprise often arise within non-profit or for profit organizations, Kistruck and Beamish (2010) show that for-profit organizations are more successful than their non-profit counterparts in establishing new activities with balanced social and financial purposes. Coining this phenomenon as *social intrapreneurship*, as opposed to 'start-up' social entrepreneurship, Kistruck and Beamish (2010, p. 742) related this finding to the entrepreneurial values and culture within business firms.

#### **4.1.4. Professionalization**

In consonance with the prevailing economic outline of public authorities, professionalization of civil society organizations is mainly manifested through the introduction of a variety of management techniques (e.g., Alexander, 1999, p. 62; Blaschke et al., 2014) along with the emergence of 'experts' (e.g., Claeys & Jackson, 2012, p. 614; McDermont, 2007, pp. 86-87), accredited by their formal education as well as by their elaborate professional network. Consequently, professionalism, i.e. the belief that professionals should do the job (Brandsen, 2009), goes hand in hand with marketization (Alexander, 1999, p. 62; Claeys & Jackson, 2012, pp. 612-613). Hwang and Powell (2009) differentiate between substantive professionalism (i.e. doctors, lawyers etc.) and managerial professionalism, which emphasizes the integration of professional knowledge and values (e.g. dress code, delineated time-management practices etc.) within day to day activities. It is the latter form of professionalization which is increasingly pervading civil society organizations, i.e. in addition to knowledge of and experience within the third sector, managerial backgrounds are increasingly required for leadership (Suarez, 2010) and board positions (Abzug & Galaskiewicz, 2001). Suarez (2010, p. 709) posits that the ideal-typical social entrepreneur embodies a high pedigree in both non-profit and management knowledge.

Brandsen (2009) argues that managerial professionalization can lead to intra-organizational tensions. Many civil society professionals adhere social values such as commitment over other people, social concern, etc. – which Brandsen (2009) refers to as 'civicness' – which conflict potentially with managerial values, i.e. systemic, aggregate targets etc. Furthermore, as Alexander (1999) points out, compliance with this trend can be constrained by organizational capacity. For instance, inadequate budgets can result in a lack of highly-trained staff, thereby possibly impeding the rollout of performance management deemed necessary for enhancing organizational performance, attracting additional funding, etc. Also, non-profits sometimes struggle in holding on to their knowledge workers, who tend to seek better salaries and profits in large(r) non-profit organizations as well as in the corporate world after a period of training. This phenomenon can be especially devastating for small-scale organizations, where staff members fulfil a broad range of tasks and organizational memory is fundamental for organizational performance.

In line with professionalization of paid staff, Vantilborgh et al. (2011) observe a shift from collective to reflexive volunteering, i.e. lifelong volunteering in the interest of the organizations' activities changes to ad-hoc commitment arising from self-fulfilment. Drawing on the premises of psychological contract theory, i.e. mutual obligations between volunteer and manager as the base for collaboration, they argue that managers must decide whether their organization is rather in need for traditional or reflexive

volunteers in order to consequently market themselves towards the envisioned target groups. In addition to recruiting, Vantilborgh et al. (2011) argue, as well as formulate practical recommendations, that board and management must take precautionary measures to counter a potential loss of volunteer commitment. Or put differently, volunteerism becomes more and more volunteer management within civil society organizations.

Kreutzer and Jäger (2010) go a step further by arguing that volunteer and managerial identity can lead to intra-organizational tensions. In the context of six European patient organizations, they point to three sources of conflict. First, in the sphere of authority, both paid staff and volunteers claimed to lead the organization. Secondly, volunteers expected too much output from the paid staff in order to justify the fact that they were paid. And lastly, the use of managerial tools, i.e. written rules, benchmarking, etc. by the professional staff in order to manage the volunteers led to frustration and resistance. This systemic approach was at odds with the voluntary spirit, characterized by creativity and freedom of action.

#### **4.1.5. Business-like philanthropy**

Maier et al. (2016) discern two emerging trends through which philanthropy is organized in a more business-like manner. Whereas venture philanthropy links venture capitalism principles to philanthropy by providing business expertise in addition to funding, philanthrocapitalism refers to phenomenon that charity is increasingly a reserved matter for the wealthy.

Froelich (1999) points to several challenges regarding corporate funding. First, the risk of mission drift seems to be rather high given that private partners are regularly actively involved in the governance of sponsored programs. For instance, the emergence of cause-related marketing – by consuming a product, customers support a charitable cause, thereby killing two birds with one stone – points to a close entanglement between contribution choices and corporate self-interest (Eikenberry, 2009, p. 585; Voss et al., 2000, p. 332; Young, 1998, p. 280). The rise of corporate social responsibility (CSR) is another case in point. Accordingly, *corporate philanthropy*, i.e. the collaboration between corporate donors and non-profits (Cho & Kelly, 2014, p. 694) became increasingly *strategic philanthropy*, i.e. corporates seeking to enlarge (non-)monetary profits through non-profit partnerships (Backman & Smith, 2000, p. 362). However, nuancing the drawback of potential mission shift, Hodge and Piccolo (2005) point out that non-profits are likewise faced with trade-offs regarding fundraising activities and government funding. Whereas the former requires time, overhead as well as high levels of professionalism, the latter asks for a developed bureaucracy with a focus on grant – and report writing. In short, revenue sources inherently come along with a cost benefit trade-off for every non-profit organization.

Second, as is the case with social enterprises, Froelich (1999) indicates that dependency of venture philanthropy makes a civil society organization more vulnerable to business and market risk. Third, beyond revenue volatility and goal displacement, venture philanthropy is increasingly marked as a vehicle for managerialization on two organizational levels. On a managerial level, it promotes professionalization, especially in regard to fundraisers with expertise in proposal writing and preferably ties to the business world. Furthermore, venture philanthropy explicitly aims for ‘social return on investment’ (Vantilborgh et al., 2011, p. 646), which is expected to be documented by the gift recipient through (social) performance measurement. On the other hand, depending on the relative share and/or level of criticality of the donation, corporate donors are increasingly represented in the board of trustees in order to facilitate the solicitation of corporate gifts (Froelich, 1999, p. 253). In sum, one could argue that professionalization of the ‘act of giving’ led to closer ties with the corporate world, which

fuelled the emergence of cause-related marketing, performance management etc., as well as the trend of civil society organizations becoming more managerialist.

## 4.2. Economization

The economization of the third sector refers to the debate whether non-profits are driven by predominantly monetary or social altruistic objectives (e.g., James, 1998). Weisbrod (1998d) for instance, ponders the question 'if non-profits generate earned income, what then sets them apart from for-profits in terms of organizational identity as well as their taxation status? Consequently, he speaks of non-profits as 'for-profits in disguise'. When discussing the economization of civil society organizations, the concepts of 'commercialization' and to a lesser degree 'conversion' are ubiquitous.

### 4.2.1. Commercialization

Academic research regarding commercialization, i.e. the process of generating revenue from sales of services and goods (Salamon, 1993; Tuckman, 1998, p. 177), is primarily conducted on the level of goal definition and often points to the risk of mission drift (Froelich, 1999, p. 247; Weisbrod, 1998c, p. 54). Traditionally, scholars refer to the decline of governmental spending (e.g., Salamon, 1993) as well as decreasing in-kind donations (e.g., Froelich, 1999, p. 248) as the main causes for civil society organizations developing commercial activities. In contrast to the social enterprise, the amalgam of social mission with economic goals is not the point of departure but rather the result of commercialization.

Weisbrod (1998c) discusses the preferability of commercial activities in function of their proximity to the social mission. Building on the public goods theory, he advances the framework of the non-profit as a *multi-product firm*, potentially producing three types of goods. The first type concerns the mission-related output and can be designated as a 'preferred collective good', e.g. basic research and conservation by a museum. The second type is the 'preferred private good', which is incidentally linked to the organizational mission and has the potential to generate revenue, e.g. access to the museum. Third, in contrast to the preferred goods, the 'non-preferred private good' has no direct link with the organizational goals. It is only produced by the non-profit for the sole purpose of generating revenue, e.g. advertisement for (temporary) exhibitions.

Accordingly, Weisbrod (1998c, p. 55) contends that both types of private good can lead to 'mission displacement' or 'mission drift', i.e. *sacrifice of some element in the organization's goal in order to satisfy prospective purchasers of the ancillary services who would impose restrictions that compromise the non-profit's mission*. Consequently, non-profits tend to frame their mission statement in 'broad terms' in order to leave considerable leeway to develop commercial activity (Weisbrod, 1998d, p. 17) without openly distorting the organizational goals as well as to minimize consequential tax liability (Young, 1998, p. 279). This notion of a vague mission challenges the argument of McDonald (2007) for clear-cut delimitation of the mission statement. Furthermore, one must note that the opposite situation, i.e. non-profits mainly depending on major institutional donors, can equally lead to mission displacement due to non-alignment between organizational and donor interests (Anheier & Toepler, 1998, pp. 236-237; Froelich, 1999, p. 250; Jones, 2007; Tuckman, 1998, p. 178; Weisbrod, 1998d, pp. 14-15). Therefore, Weisbrod (1998b) argues that a *pure non-profit* solely depends on donations with 'no strings attached', enabling it to produce solely the desired outputs.

Elaborating the case of the Metropolitan Museum of Art, Toepler (2006, pp. 111-112) indicates the need for a more refined conceptualization regarding the rather static and deterministic character of Weisbrod's model. The boundaries between a preferred and non-preferred private good are fluid and

can change over time depending on the entire collection of goods produced by a particular CSO. Indeed, categorizing organizational goods is a relative process; they are classified in comparison to one another. Additionally, Toepler (2006, p. 112) argues that the shift from preferred to non-preferred private good isn't problematic in itself, as long as it serves the cross-subsidization of the social mission.

However, James (2003) contends, amongst others, that commercial revenue can bolster a non-profit as long as the social objective of the organization remains the main driving force. Weisbrod (1998a, p. 288) observes two potential benefits of becoming more commercial. First, it bolsters for-profit and non-profit collaboration. Second, in the form of unrelated business activity, i.e. revenue that doesn't harm the tax-exempt status of the non-profit, can further the organizational social goals at a small marginal cost. However, the latter is complicated due to mission vagueness, which makes it difficult to label what activity is (un)related to the social goals. Based on annual tax forms of all Canadian charities between 2005-'10, Gras and Mendoza-Abarca (2014) find that diversification in funding by means of generating commercial revenue does bolster the chance of organizational survival. However, when exceeding the 50% mark in terms of commercial revenue, the probability of organizational demise increases due to market dependency. Consequently, Gras and Mendoza-Abarca (2014, p. 403) speak of an *Icarus paradox*, i.e. organizations can develop commercial activities with the given that overreliance is detrimental to organizational survival.

Several scholars (Eikenberry, 2009, p. 587; Eikenberry & Kluver, 2004) argue that civil society organizations weaken their appeal towards (potential) donors due to commercialization. The directionality of this crowding-out effect remains ambiguous to date (Young, 1998, p. 295), i.e. does a decline of in-kind donations leads to commercial venturing (e.g., Tuckman, 1998, p. 190) or does commercial venturing cause a drop in private gifts? Based on an experimental research design, Smith et al. (2012) suggest a bidirectional relationship, i.e. commercial activity is triggered by dwindling in-kind donations which in turn diminishes donation likelihood. Consequently, commercialization can be phrased as a paradox: in order to compensate for diminishing funds, the future donor base is reduced. The impact of crowding-out due to commercialization on the organizational program as well as how to mitigate these consequences provide researchers with fruitful avenues for further research. In sum, the changes due to commercialization regarding the organizational identity and activities are largely dependent on mission adherence as well as on the stability of market demand, prompting Toepler (2006, p. 112) to conclude that *revenue diversification by commercial means can as likely be a bane as a boon*.

#### **4.2.2. Conversion**

Conversion refers to a CSO changing its legal status, in this perspective from a non-profit to a for-profit purpose (Weisbrod, 1998e). One could argue that, if commercialization is a line, conversion forms the endpoint. Several research lines emerge in regard to this phenomenon, which is mainly studied in the healthcare sector of Anglo-Saxon countries, and more specifically hospitals (e.g., Goddeeris & Weisbrod, 1998).

A first research area elucidates on to which factors influence institutional choice, i.e. the decision in which sector to establish an organization. Goddeeris and Weisbrod (1998, pp. 133-135), for instance argue that a *rethinking* of legal construction is primarily triggered by changing legal constraints - e.g. the end of federal grants and loans for non-profit hospitals in 1983 - or market opportunities. In addition to changing legal regulations, James (2003, p. 32) indicate that both the possibility of economies of scale as well as excludability mechanisms (e.g. patents, fees) bolster conversion, thereby citing both the school and healthcare sectors as prime examples. Consequently, conversion fosters organizational

performance when the advantage of access to commercial capital outweighs increased levels of taxation as well as the non-eligibility for in-kind donations and public grants.

Child et al. (2015) go beyond this traditional instrumental approach, i.e. a rational weighing of costs and benefits, by inductively identifying three additional motivations in the *initial* institutional choice of Fairtrade entrepreneurs. First, entrepreneurs indicated that the choice of organizational form was influenced by their personal values. Secondly, they studied the organizational field and took the predominant normative rules and values into account, as well as (un)successful examples. And third, historical evolution proved to be a natural constraint for institutional choice. Consequently, Child et al. (2015) conclude that due to an increasingly complex organizational landscape, the motivations regarding institutional choice are more fine-grained than solely rational cost-benefit analyses.

A second research line addresses the issue of practical execution of a conversion. Not only does a non-profit organization have to choose among a range of legal (for-profit) forms, but it also needs to transfer organizational goods to individual owners, which embodies the risk of enriching insiders at public expense (James, 2003, p. 35). Goddeeris and Weisbrod (1998, p. 146) argue that the proceeds of a sale of a non-profit should go to an initiative and/or foundation whose purposes are narrowly entangled with the mission of the privatized organization. Furthermore, they note that an overlap between board trustees and/or managers from the former non-profit within the board of beneficiary foundation created with the proceeds of the sale would bolster the social heritage.

A third research line goes out to the link with organizational performance. Tiemann and Schreyogg (2012) find for German hospitals changing from non-profit to private for-profit status an increase in organizational efficiency. This observation proved to be durable in terms of time, i.e. efficiency gains were realized year after year as well as in terms of quality, i.e. in contrast to the widespread belief there was no decline of quality observed due to the privatization of services.

Last but not least, it is important to point to a pivotal limitation regarding the study of conversion of civil society organizations. The comparability of research findings is constrained by the fact that these organizational transfers correspond with sectoral as well as national legal frameworks.

## 5. Conclusion

In the wake of the NPM reforms, policy makers consider the gradual businessification of CSOs a beneficial trend regarding public service delivery. However, both public and pundit voice their concerns regarding this evolution. Departing from the organizational point of view, this paper offers an overview of the predominant concepts, organizational consequences, research designs as well as research gaps regarding this – often normative – debate. In light of the presented material, what might be learned and what remains to be learned?

We observed that the organizational response to businessification can be threefold, i.e. by accepting, coping or resisting this trend. Kim (2015, p. 213) for instance shows that organizational configuration not only coins the non-profit as a ‘space of service’ but also as a ‘space of resistance’. However, corresponding with the multitude of interrelated concepts, the predominant focus in the literature goes out to the adaptation of business-like values, practices and ideas by CSOs, as well as to the subsequent organizational tensions. Scholars point to myriad organizational changes and effects due to becoming more business-like (figure 3) with ‘mission drift’ followed by business- and market risk as the most consistently cited risks. We suggest four avenues for further research.

Figure 3. Civil society organizations becoming more business-like. Internal changes and effects.

TRENDS	Mission & Strategy	Governance	Management	Consequences
<b>Corporatization</b>		- Depoliticisation		
<b>Marketization</b> <ul style="list-style-type: none"> <li>• Consumerism</li> <li>• Commodification</li> <li>• Market orientation</li> <li>• Social enterprise</li> </ul>	- Loss of quality in service delivery - Facilitation of business non-profit partnerships - Vulnerable to business- and market risk	- Market-oriented organizational values	- Potential collusion of business- and social welfare logic, leading to a loss of quality in service delivery. - Collision of value frameworks between client-employees and paid staff, leading to a potential loss of employees. - Fosters professionalization	- 'Social entrepreneurship bias' - High degree of market orientation bolsters efficiency - Early adoption of market orientation principles bolster organizational capacity to obtain resources
<b>Becoming more entrepreneurial</b>			- social intrapreneurship	
<b>Professionalization</b> <ul style="list-style-type: none"> <li>• Substantive professionalism</li> <li>• Managerial professionalism</li> </ul>		- Growing importance of managerial background for leaders and board trustees.	- Organizational tension between manager and professional as well as between paid staff and volunteers due to colliding value frameworks. - Competition for knowledge workers. - shift from collective to reflexive volunteering - emergence of volunteer management	- Emergence of performance management
<b>Business-like philanthropy</b> <ul style="list-style-type: none"> <li>• Venture philanthropy</li> <li>• Strategic philanthropy</li> <li>• Philantropiccapitalism</li> </ul>	- Mission drift - Emergence of cause-related marketing - Vulnerable to business- & market risk - performance measurement conflicts with social values.	- Corporate donors represented in the board - (Major) donors formulating performance indicators	- Fosters professionalism	- Fosters (social) performance measurement
<b>Commercialization</b>	- Mission drift - Mission vagueness - Emergence of consumption philanthropy - Crowding-out effect of in-kind donations - Bolsters business non-profit partnerships - Unrelated business activity can support organizational activities - Vulnerable to business- and market risk			- Up to 50% of total funds, earned income can bolster organizational performance
<b>Conversion</b>				- Increased levels of efficiency in terms of quality as well as quantity

First, in accordance to the observation of Dart (2004a), the predominant focus of this debate is situated on the level of goal definition and planning. Consequently, a lot of ground remains to be covered in terms of governance arrangements as well as management, especially in small-scale community-based non-profits where the fault line between governance and management tend to be blurry. A better understanding of how becoming business-like influences day-to-day interactions on the work floor in terms of steering and acting constitutes a first step towards formulating 'good practices' on how to implement business-practices within civil society organizations.

Secondly, whereas the scope of the academic debate is currently on the trends of 'marketization', social entrepreneurship as well as commercialization, a broader research interest should be encouraged in order to understand the organizational impact of 'becoming more business-like' in its entirety. Methodological analysis learned that one third of the scholarship under scrutiny was conceptual of nature. Building on the notion that 'the proof of the pudding is in the eating', more empirical research on the subject is essential (Vantilborgh et al., 2011, p. 646). Not only in terms of 'filling the gaps' of the presented matrix (figure 3.) but equally to examine more systematically the prevalence and intensity of the perceived changes and effects. How widespread is the trend of 'becoming business-like' across sectors as well as countries? How pervasive is the impact of 'becoming business-like' for organizational structuring? What is the impact of businessification on organizational performance, both in terms of organizational functioning as well as performing their societal functions? How can we support these changes in performance theoretically?

Fourthly, 62% of the discussed literature has an exclusive Anglo-Saxon focus in contrast to a mere 13% with a European focus, underlining the necessity for more 'Continental' research. Both the conceptualization (Evers & Laville, 2004) as well as the place and position of civil society within society differs on both sides of the Atlantic. Building on the premises of the social origin theory (Salamon & Anheier, 1998), the Anglo-Saxon world is primarily characterized by a prevalence of the liberal model in contrast to Continental Europe which is typified by the prevalence of both a corporatist (e.g. Belgium) as well as a social-democratic model (e.g. Scandinavia). Consequently, the starting position of civil society (Hustinx, Verschuere, & De Corte, 2014), determined by historical trajectories, differs significantly between the Anglo-Saxon and European research context. Therefore, the contextualization of the drivers, changes as well as effects of organizational hybridization towards the market is insufficiently balanced in the current body of research.

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