

Balancing pragmatic and moral legitimacy NPOs in a context of nonprofit-business hybridity

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Abstract

In nonprofit management literature, there is a debate about the effect of nonprofit-business hybridity on organizational legitimacy. This paper contributes to the discussion by using a broad conceptualization of nonprofit-business hybridity and a multi-stakeholder perspective. We compare two nonprofit organizations, which differ in their degree of nonprofit-business hybridity, within the work integration social enterprise sector (WISE) in Flanders, Belgium. We find that being more hybrid has a positive effect on the moral legitimacy as perceived by governmental actors and umbrella organizations. On the other hand, hybridity puts the organization's pragmatic legitimacy under pressure in the eyes of employees, client-employees and volunteers.

Keywords

nonprofit-business hybridity, organizational legitimacy, nonprofit organizations, social economy, work integration social enterprises, institutional theory, institutional logics

1. Introduction

This paper focuses on a key issue in the field of nonprofit management literature: nonprofit-business hybridity. Nowadays, most researchers agree on the fact that nonprofit organizations are becoming more hybrid (Billis, 2010; Skelcher & Smith, 2015; Hwang & Powell, 2009; Smith, 2014). In Continental Europe, Bode (2011) speaks of a less comprehensive and pervasive variation of nonprofit hybridization or ‘creeping marketization’. Hybrid nonprofit organizations combine features of both the ideal-typical nonprofit and for-profit organization. However, different organizational manifestations of nonprofit-business hybridity are possible. An elaborate overview of all possible manifestations is given by Maier, Meyer, & Steinbereithner (2016). Suykens, De Rynck, & Verschuere (2019) have taken their literature review and conceptualization one step further by distinguishing three main forms, based on the current research: commercialization, managerialism and corporatization. In other words, it is claimed that many non-profit organizations also have features of what we could call typical business organizations: they increasingly start operating on competitive markets, their income is partly derived from selling goods and services, and the intense use of management instruments and performance measurement. In this paper, we address the following research question: *what is the effect of nonprofit-business hybridity on organizational legitimacy, as perceived by different stakeholders?*

This is an important question, as legitimacy in the eyes of different stakeholders is essential for organizational survival as argued by both the law of nonprofit complexity (Anheier, 2000) and institutional theory (DiMaggio & Powell, 1983). Moreover, when looking at Hansmann's (1980) trust approach, nonprofit organizations are regarded as more credible quality providers and are kind of automatically seen as legitimate organizations. These organizations are characterized by their non-distribution constraint and choosing the social bottom line over the economic one. However, within a post-corporatist context with more nonprofit-business hybrid organizations that have less ideal-typical nonprofit characteristics, (Hustinx, Verschuere, & De Corte, 2014) we can expect that this trust approach will no longer apply. This will have some effects, both positive and negative, depending on the type of stakeholder. Accordingly, this places nonprofit organizations in a difficult situation. Nonprofit managers can use these insights in their decision-making processes.

In this paper we also want to contribute to the literature by taking two research gaps into account: most research takes only one form of hybridity into account, and a multi-stakeholder perspective is rarely used (Young, 2002; Fyrberg Yngfalk & Yngfalk, 2019). In sum, nonprofit-business hybridity remains a contested phenomenon when looking at its effects (Bicho, Nikolaeva, & Lages, 2019).

First, some negative effects. Hustinx & De Waele (2015) looked at a social grocery as an example of a hybrid organization (e.g. they sell healthy and affordable basic food products to people living in poverty). They found that professionals used several coping strategies which have a negative effect on the client-employees (e.g. they made a distinction between ‘strong’ and ‘weak’ client-employees which led to unequal learning opportunities). According to O’Reilly (2011), it turns out that focusing on professionalization and managerialization has a negative impact on the staff of non-profit organizations. It appears that this can put pressure on their motivation and that they can no longer build an emotional bond with their clients. Henderson, Reilly, Moyes, & Whittam (2018) found some similar results. Professionalization puts pressure on carers to provide a broader range of services for less costs in a context of increased competition. Eventually, this will create a tension around the quality of care for children with complex needs. When looking at the social housing sector in England, it is becoming more hybrid and Manzi & Morrison (2018) found that delivering affordable housing was to an increasingly lesser extent offered to people with the least ability to pay. The authors raised questions about the wider legitimacy of these organizations. Cheverton (2007) comes up with resembling findings. Maintaining the central values of the non-profit sector should ensure that staff, managers and board members are much more productive. The organization will ultimately perform better. Last, Eikenberry & Kluver (2004) expect that hybridization will put the traditional functions of the non-profit sector under pressure. It is about pursuing certain values, offering social services, advocacy and developing social capital.

However, there are some positive effects as well. In his research about Swedish study associations, Aberg (2013) identifies the market-oriented logic to become more widely used and accepted. Padanyi & Gainer (2004) agree and indicate that non-profit organizations that approach their stakeholders in a more market-oriented manner, defined here as having systematic attention for the needs of (a)

clients/customers and (b) the subsidizing government, are better able to pursue their overall mission in the long term. Dart (2004b) even claimed that increased hybridization could be explained by the fact that it is considered to be the norm in the sector. Meyer, Buber, & Aghamanoukjan (2013) come to a similar conclusion. The systematic emphasis on efficiency and effectiveness, which falls under managerialism according to this author, has already become self-evident and is regarded as (morally) legitimate. Guo (2016) has found some positive effects regarding commercialization. Executives of service-providing non-profit organizations feel that more commercial income leads to a higher reputation. He even identified a self-reinforcing effect. Additionally, they are better able to attract and retain staff. Delving deeper into the effects of commercialization, Enjolras (2002) found that voluntary sport associations who choose to commercialize attract more public resources and support. Froelich (1999) even argues that goal displacement is less of an issue when looking at commercial activities in comparison with private contributions and governmental funding. Moreover, Young (1998) found that nonprofit organizations are eager to demonstrate how their commercial activities are linked with their mission. It is regarded as necessary because this makes them attractive to external stakeholders such as their corporate business partners. Andersson & Self (2015) proved that a social entrepreneurship bias exists whereby NPOs presenting themselves as social enterprises were perceived by potential donors as more effective, which in turn increased the likelihood of receiving donations.

To conclude, the literature above indicates that nonprofit-business hybridity not only influences organizational practices (e.g., more attention for commercial venturing), but also the perceptions and expectations of the key stakeholders. In this paper, we choose for a broad conceptualization of nonprofit-business hybridity by including commercialization, managerialism and corporatization (cf. *infra* for conceptualization and operationalization). And we use a multi-stakeholder perspective and look at both external and internal stakeholders. In the remainder of the paper, we first discuss our theoretical and conceptual framework as well as the corresponding assumptions. Next, we have attention for the method section of our research and the case selection. The findings will be discussed by making use of a summarizing table. Last, some concluding remarks and avenues for future research are explored.

2. Conceptual and theoretical framework

The data analysis is focused around two concepts, nonprofit-business hybridity and organizational legitimacy. These concepts are catch-all terms that have been defined and redefined over the years. In this section, an overview is given of the conceptualizations that have been used for the purpose of this study in order to conduct a systematic data collection.

2.1. Nonprofit-business hybridity

In this paper we use the conceptualization of Suykens et al. (2019) who distinguish three forms in their scoping review: commercialization, managerialism and corporatization. We use this recent conceptualization because it includes the three main forms that can be found in the literature. Commercialization revolves around the generation of revenue from sales of goods and/or services (Young, 1998; Child, 2010; Guo, 2016). Moreover, to be regarded as commercial income, these revenues should be aimed at getting a financial added value. It is important to look if there is a change through time in the ratio of commercial income to total revenues and whether commercial activities are mission-related or not. Managerialism can be conceptualized as both the intense and systematic use of management instruments typically belonging to the business world and the frequent measurement (e.g. efficiency) of outputs and outcomes (Meyer et al., 2013). Last, corporatization refers to the attraction of board members with expertise from the business world (Alexander & Weiner, 1998; Karré, 2011). Researchers can look at the ratio of board members with business expertise to the total amount of board members and how this has changed through time.

2.2. Organizational legitimacy

The concept of organizational legitimacy is clearly defined by Suchman (1995, p. 574) as: “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.”. He makes a distinction between three forms: pragmatic, moral and cognitive legitimacy. The pragmatic legitimacy is determined by self-interested calculations of stakeholders. It is about what stakeholders get in return for the resources (e.g. time) they invest in the organization and whether they can exert influence (Bicho, Nikolaeva, & Lages,

2019). The stakeholders who are concerned with norms and the way the organization works, will evaluate the organization from a moral perspective (Dart, 2004b). The organization will be evaluated based on the general norms and standards in the sector. The stakeholders look whether the organization achieves its objectives (Padanyi & Gainer, 2004), makes use of certain procedures and techniques and the way they are organized and structured. Even the charisma of the manager(s) is evaluated. Last, cognitive legitimacy stresses a certain taken-for-grantedness of the organization. This means that the organization has become undeniably part of its environment. It seems that its existence has become self-evident. Dart (2004b) noticed that it is hard for an organization to reach such an abstract form of legitimacy. In short, this conceptualization has the advantage to include several perspectives from which stakeholders can evaluate an organization. Most research about organizational legitimacy uses this conceptualization (Willner, 2019; Leardini, Moggi, & Rossi, 2019).

2.3. Theoretical framework

In this theoretical framework we further elaborate our two assumptions. First, when looking at the positive effects in the literature review above, we assume that this can be explained by institutional theory. Based on this theory, we expect that a hybrid structure (e.g., intense use of certain business-like management instruments) is more or less ‘enforced’ upon nonprofit organizations by certain stakeholders. It is about a subsidizing government that uses a business framework (e.g., contract competition) or clients who want value-for-money and expect the organization to conform to their expectations. In sectors characterized by these kinds of logics, (predominantly) external stakeholders will put pressure on nonprofit organizations to show so-called isomorphic behavior and incorporate business-like characteristics into their organizational model (Dart, 2004b; Hwang & Powell, 2009; Smith, 2014). DiMaggio & Powell (1983) distinguish three forms of isomorphism: coercive, mimetic and normative. Coercive isomorphism is derived from the pressure exerted by organizations and cultural expectations to conform. Mimetic isomorphism is about the imitation of other organizations due to uncertainty. Last, normative isomorphism is about professionalization primarily determined by the educational background of people and their professional networks. Organizations that comply and become more hybrid themselves will be seen as more legitimate in the eyes of the stakeholders who

expect them to be more business-like.

A1: Nonprofit-business hybridity has a positive effect on organizational legitimacy as perceived by external stakeholders.

In the literature review above, there are also some negative effects. We use the institutional logics theory (Pache & Santos, 2010, 2013) to develop our second assumption. In an ideal-typical non-hybrid nonprofit organization, the social welfare logic stands central. This is different to a nonprofit-business hybrid organization which has two prevailing logics (Skelcher & Smith, 2015): the business logic and a social welfare logic. Based on this theory, it is assumed that the introduction of the business logic can put pressure on predominantly internal stakeholders (e.g., employees are motivated because they can help clients *-social welfare logic-* with daily activities and not because they have to *-business logic-* generate commercial revenues). According to these stakeholders, the organization should focus on its social welfare logic and prevent mission drift. They stay committed to the original logic while the organization incorporates a business logic. Thus, we assume that their legitimacy will encounter some negative effects.

A2: Nonprofit-business hybridity has a negative effect on organizational legitimacy as perceived by internal stakeholders.

Balanoff (2013) speaks of a so-called legitimacy paradox. These hybrid nonprofit organizations are regarded as more legitimate but at the same time their special role in society becomes pressured. Eventually, this will have some negative effects on legitimacy as well. This paradox stresses both our assumptions. This is in line with multiple constituency theory (Connolly, Conlon, & Deutsch, 1980). This is well-defined by Padanyi & Gainer (2004, p. 46): “different groups have disparate interests, needs and objectives, requiring organizations to customize their efforts to shape and influence their relationships with each group.”

3. Method

3.1. Comparative case study

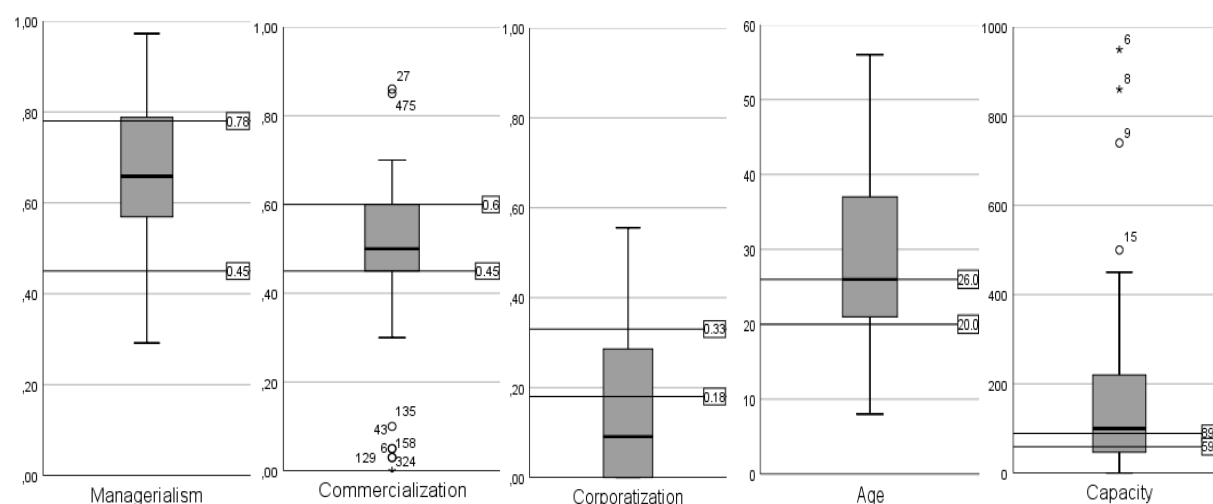
A comparative case study makes it possible to gain in-depth information about difficult to grasp concepts such as organizational legitimacy, especially as perceived by both external and internal stakeholders. The scope of this research is to have a better understanding of certain dynamics and not the generalizability of results (Stake, 2005; Yin, 2009). Furthermore, a ‘most similar systems design’ (MSSD) enables us to answer the research question entirely. Based on new institutional theory, we expect organizations with a high degree of nonprofit-business hybridity to be more legitimate within a hybrid sector as perceived by external stakeholders. On the other hand, by using institutional logics theory, we assume that these organizations will be less legitimate in the eyes of internal stakeholders. Thus, we can empirically test these assumptions by comparing two similar organizations which only vary according to their degree of nonprofit-business hybridity within a hybrid sector. In Flanders (Belgium), the sector of work integration social enterprises (WISEs) is the subsector par excellence which is characterized by a high degree of nonprofit-business hybridity (Pauly, Verschuere, & De Rynck, 2018).

This subsector historically belonged to the well-being sector as it provided care and activities to people with disabilities. Now, this sector is institutionalized within the labor market policies (labor-market participation of unemployed people) of the Flemish government. Moreover, this institutionalization led to an increase in nonprofit-business hybridity (Gijssels, 2010). In this paper we have a look at customized work enterprises because it is the legal form that has been adopted by all WISEs¹. These organizations engage in market activities and provide adjusted and paid labor to disadvantaged employees. There is a maximum number of client-employees they can work with, for which they will get a wage subsidy to cover the loss of efficiency.

¹ There used to be a difference between sheltered workshops and social workshops. These two legal forms are now unified in a decree concerning customized work enterprises that went into effect on the 1st of January 2019.

We selected two organizations (WISEs), according to their level of nonprofit-business hybridity, by making use of a survey of 49 WISEs in Flanders, Belgium². The three forms of nonprofit-business hybridity discussed above have been used to measure the level of hybridity. Corporatization was measured by the ratio of board members with business expertise in relation to the total amount of board members. Commercialization was measured by the ratio of commercial income in relation to the total income. Last, managerialism was measured by looking at the frequent use of both management instruments and performance measurements. The table below shows the variation between both organizations for the three variables that measure the degree of hybridity. However, in an MSSD-design, the organizations should be similar according to some other explanatory variables (see table below). We looked at their sector (e.g. customized work enterprises within the WISEs sector), age and capacity in FTEs (both paid employees and client-employees).

Table 1: Case selection



Sector		Managerialism	Commercialization	Corporatization	Age	Capacity (FTEs)
Social economy	N	47	49	34	33	47
	Median	,66	,50	,09	26	100
	WISE A	,78	,60	,33	26	89
	WISE B	,45	,45	,18	20	59

² This survey research is part of a larger research project on nonprofit organizations in Flanders. A population database of 2477 nonprofit organizations has been constructed for three large sectors: well-being, socio-cultural and social economy (i.e. the WISEs-sector). This population was identified by looking at public databases and membership lists of umbrella organizations. All officially recognized customized work enterprises were included. This was validated by checking with a list of officially recognized WISEs as well as the two main umbrella organizations for WISEs in Flanders, resulting in a total of 139 WISEs. The survey sample of 49 WISEs was drawn from this population.

3.1.1. WISE A - High degree of nonprofit-business hybridity

This first organization was established in 1993 as a re-use center. It has the legal status of an association without lucrative purpose. The organization has grown over the years after a couple of mergers and they employ 16 staff-employees and provide work for 73 client-employees. The organization can also count on 14 active volunteers. There are 12 members of the board of directors. The most important activity for this organization is the sale of second-hand goods geographically spread over 8 different locations. In 2017, the total revenues of the organization are estimated at 3,9 million euros and a profit margin of around 430.000 euros. This organization works together with a number of partner organizations and tries to look at other activities as well. Recently, they even worked together with a nearby festival organizer for the reuse of second-hand camping materials and they have their own bicycle repair and woodwork services.

This organization is to a high degree hybridizing towards the market sphere. The commercial income accounts for nearly 60% of the overall revenues of the organization. This organization confirms that commercial income has increased proportionally over the years. Moreover, they expect this trend to continue in the future. If we look at the board of directors, 4 out of 12 members have been appointed based on their business expertise. They bring competences such as marketing and strategic planning with them and these are greatly valued by the organization. Last, the organization confirms that the use of management instruments has intensified and the output is more frequently monitored. They implemented a strategic plan a couple of years ago and perform SWOT analysis on a regular basis. They also use indicators to track their performances. A couple of times, the organization even worked together with a consultancy firm.

“I think that nearly half of the board of directors comes from the business sector. Even the president of the board has an own company.” (member board of directors)

3.1.2. WISE B - Low degree of nonprofit-business hybridity

This organization was established in 1999 and originated from an organization active in mental health care. This organization also has the legal status of an association without lucrative purpose. They work

with client-employees that have serious medical, mental, psychological and/or psychiatric problems. They predominantly perform green maintenance, cleaning, refurbishment and logistical support in residential elderly care centers. They employ 12 staff-employees and provide work to 47 client-employees. The organization has 1 active volunteer. The board of directors has 11 members. In 2017, the organization had a profit margin of around 115.000 euros and total revenues were estimated at 1,7 million euros.

It is clear that organization B is rather different. This organization does not feel the need to hybridize and wants to stick close to the mental health care sector it originated from. The commercial income accounts for 45% of the overall revenues of the organization and it did not change over the years. Moreover, the organization does not want to build up a buffer with their profit margins. They invest it directly into the well-being of their ‘weak’ client-employees. The board of directors has 11 members of which 2 have expertise in the business world. Nevertheless, this was not a conscious choice and their business competences are not really used in the board. Most of the board members are managers of partner organizations or organizations active in the wellbeing and mental health care sector. The use of management instruments and performance measurement is lacking in the organization as well the necessary competences to use them. In 2015, they draw up a first and modest strategic plan, together with a consultancy firm because they did not know how to start with such a process.

“I think we are just in a first phase to get to know these ideas. Now it is even not that evident to just draw up a good planning. We have to work with what we are given.” (manager)

3.2. Data

Nonprofit-business hybridity and organizational legitimacy need to be operationalized. In a summarizing way, the schematic code tree in appendix gives an overview (see appendix 1). In order to have enough data to answer the research question, three different methods of data collection have been used. First, the database, which was used for the selection of the two cases, will be searched through to find other relevant information about both organizations (e.g. whether the employee turnover rate is high or not, do they succeed to retain their volunteers, how is the relationship with the most important

governmental actor, etc.). This descriptive data is summarized in the format of an organization sheet. Secondly, semi-structured interviews with internal and external stakeholders. We interviewed six stakeholders per organization, predominantly to gauge whether they perceive the organization as legitimate. The stakeholder selection is based on the work of Young (2002) and Anheier (2000): volunteers, staff, client-employees, governmental actors, umbrella organizations and customers. We also had an interview with the manager and president of the board of each organization in order to have a more detailed overview (see appendix 2). As a third method of data collection, we have gathered relevant internal (e.g. an annual report) and external documents (e.g. an external audit) that are explicitly linked to the organization (see appendix 3).

3.3. Analysis

These different forms of data were brought together to make a comprehensive analysis and comparison of the two organizations possible. First, it concerned a large amount of data which were openly coded in order to make a distinction between relevant and less relevant fragments. In a second phase, we chose for closed coding and we assigned the relevant fragments from the first phase to specific codes in the code tree. Throughout this process, the software program Nvivo 12 has been used to analyze everything in the most structured and systematic way possible (Mortelmans & Van Looy, 2009).

In this section, we discuss the effects of nonprofit-business hybridity on organizational legitimacy as perceived by different stakeholders. The table below summarizes the results for both organizations. We learned from our analysis that each stakeholder has a form of legitimacy to which they attach more importance. The pragmatic legitimacy of an organization is to a large extent determined by the employees, client-employees, volunteers and customers of the organization. Whereas the latter is primarily interested in product quality and pricing, the former stakeholders are primarily focused on the working conditions. The government and umbrella organization (representation) are more concerned with the moral legitimacy of the organization or the way of working. However, the cognitive legitimacy is not really a matter of importance for these six stakeholders. Last, we could not find a (direct) effect of corporatization or the conscious attraction of board members with business expertise on legitimacy. Therefore, both cognitive legitimacy and corporatization will not be discussed below.

*not significant

[illegible]

4.1. Pragmatic legitimacy - High degree of nonprofit-business hybridity - WISE A

The staff, both middle management (e.g. operation manager) and process counsellors (e.g. coaching and supporting the client-employees), of the organization have experienced that the workload has increased over time. First, it is difficult for middle management to acquire people with the right competences they are looking for to manage this high degree of hybridity. The private sector often offers better conditions. This makes it hard for middle management to actually manage the daily operations (e.g. tracking sales of second-hand goods), strategic and more long run operations (e.g. possible collaborations or even mergers with similar organizations) and the further professionalization of the organization (e.g. more attention for price-setting techniques). Secondly, the process counsellors of the client-employees also become more pressured. The sale of second-hand goods becomes more important (e.g. organize the store in a more attractive way) and they have to control the client-employees more often (e.g. a certain output or a maximum effort to work in a customer-oriented way).

The volunteers are very motivated and are predominantly looking for activities they like to do without experiencing a certain work pressure. Nevertheless, they became more pressured over the years (e.g. it often happens that they indent for a client-employee or that they are even alone to run a section in the store).

“I think that there are people which are less happy because they feel more pressured at work. If you have to do the work alone while previously you did it with two.” (manager)

The client-employees speak of a similar work pressure. A couple of years ago, a satisfaction survey undertaken by the organization itself, even showed that the work pressure for client-employees has increased over the years. They are pushed to sell as much second-hands goods as possible so that the organization can grow and become financially more independent. They even invested in a textile sorting machine for second-hand clothes in order to increase efficiency. It seems that standing up all day, negatively affects the physical well-being and is way more intensive for certain client-employees. Moreover, the manager has acknowledged himself that they cannot give as much chances as they used to give twenty years ago.

“There are some colleagues who find it difficult to stand up all day due to some medical conditions. With this textile sorting machine, you cannot just stop and have a break. No it is way more difficult.” (client-employee)

However, the customers of the organization give a more positive outlook. They notice that the organization has clearly changed over the years and that the quality of their goods has improved. Moreover, the different locations of the re-use center have been modernized with attention to customer needs. A weakly customer for more than 20 years, stated that this is one of the most professional re-use centers he has visited.

4.2. Pragmatic legitimacy - Low degree of nonprofit-business hybridity - WISE B

First, the one volunteer of the organization is very thankful for the opportunity he got. As a recognized asylum seeker, the organization gave him this chance because he could not go anywhere else. The organization normally does not want to work with volunteers because they want to invest all their time in the client-employees.

The staff, again both middle management and process counsellors, became more pressured but for different reasons. The process counsellors are stressed because they work with rather ‘weak’ client-employees and throughout the years they have become older and have more physical problems (e.g. they are often ill for a long time). The work still needs to be done and it often happens that the process counsellors have to bear the burden and perform certain tasks themselves. Second, the middle management has a very broad and unclear job description. They are confronted with more regulatory expectations from the government (e.g. personal development plans that look whether the client-employees are able to start working on the normal labor market) while the number of employees remains constant and they do not have the right competences (e.g. someone who is specialized in HR).

It is clear that the client-employees are the central point of attention for this organization. They want to give them as much chances as they can (e.g. flexible change from the green maintenance to a much easier task to perform).

“We originated from an organization that focused on people with a severe psychological vulnerability and we want to keep doing that. We feel that they are often not welcome or even refused in other organizations.” (staff)

Providing ongoing support for client-employees and their situation seems to have a negative effect on the satisfaction of customers. It happens occasionally that they end up with a disappointed customer. The organization even decided to work no longer on a demand-driven but supply-driven base. The focus is on what the organization and its client-employees can offer and not what the customer wants.

“My vision is that you should not and cannot jump for each customers and his or her specific expectations.” (staff)

4.3. Moral legitimacy - High degree of nonprofit-business hybridity - WISE A

The most important governmental actor, the Flemish department of Work and Social Economy (WSE), considers the organization as an example for other organizations because they took the necessary changes to professionalize (e.g. a middle management with business competences). A senior official of the department has acknowledged herself that subsidies/public funding probably will fall even further in the future but that this organization will be able to deal with it (e.g. they have an extensive financial buffer). Additionally, they seem to conform to the regulatory framework.

The umbrella organization states that the organization is one of the most innovative players in the sector (e.g. they work together with a festival organizer to collect second-hand camping materials). The umbrella organization works closely together with this organization (e.g. they undertook a SWOT analysis together) and look for new ideas (e.g. looking for the necessary competences in the board). The manager of the organization had been a board member of the umbrella organization until recently. He left because the other organizations did not want to commit to ‘innovation’ as quickly as they did (e.g. projects to work together with the business world).

4.4. Moral legitimacy - Low degree of nonprofit-business hybridity - WISE B

The municipality had always been a loyal customer of the organization but this has changed the last ten years. They were not satisfied anymore and their services, predominantly green maintenance, became

too expensive in years of budgetary tightness. The department WSE indicates that this organization certainly does not stand out in the sector. They are even worried about the long term survival of the organization because they still work on a small scale (e.g. they do not have an elaborate strategic plan).

Last, the umbrella organization appreciates the fact that the organization works with 'weak' client-employees and that they look for innovative ways to support them (e.g. electric hoes to remove weeds without expecting an increase in efficiency). However, the umbrella organization is also worried that the limited capacity and lack of professional management will endanger the future of the organization.

5. Discussion and conclusion

The comparative analysis indicates that there is an effect of nonprofit-business hybridity on the organizational legitimacy of both organizations and offers an holistic overview. This effect depends on both the stakeholder who allocates legitimacy to the organization and the different forms of legitimacy.

Our conclusion is threefold. First, it seems that nonprofit-business hybridity has a negative effect on the pragmatic legitimacy of volunteers (e.g. they have to substitute for ill client-employees and feel more pressure), client-employees (e.g. a distinction is made between ‘weak’ and ‘strong’ client-employees) and employees (e.g. more extensive range of duties). This is in line with existing research. Hustinx & De Waele (2015) also found that a hybrid organization (a social grocery) made a distinction between ‘weak’ and ‘strong’ client-employees. Moreover, O’Reilly (2011), Cheverton (2007) and Henderson, Reilly, Moyes, & Whittam (2018) also prove in their research that employees and volunteers feel more pressured. Secondly, there is a positive effect on the pragmatic legitimacy as perceived by the customers of the organization (e.g. customer-oriented and higher quality goods and services). Last, a high degree of commercialization and managerialism has a positive effect on the moral legitimacy of the organization as perceived by both the main governmental actor (e.g. more commercial activities to foresee lower subsidies) and umbrella organization (e.g. working together to eventually become more hybrid). Hybrid organizations are regarded as more legitimate by external stakeholders as they see nonprofit-business hybridity as the norm in the sector (Dart, 2004b). In line with Meyer et al. (2013), both the umbrella organization, governmental actor and customers consider the organization as more effective and efficient.

If we trace these results back to our assumptions, we can confirm them both. Nonprofit-business hybridity has a positive effect on organizational legitimacy as perceived by external stakeholders (customers, governmental actor and umbrella organization). On the other hand, when looking at the more internal-oriented stakeholders (employees, volunteers and client-employees), there seems to be a negative effect.

If we take this one step further, we could even suggest that it is mostly about finding a balance between pragmatic legitimacy and moral legitimacy. For the sake of simplicity, it seems that a high degree of hybridity has a negative effect on pragmatic legitimacy (with the exception of customers) and a positive effect on moral legitimacy. Dart (2004b) already touched upon this issue by claiming that increased hybridization could be explained by one form of legitimacy, moral legitimacy. This idea of finding a balance becomes even more clear when we look at the effects on employees. It seems that both a high and low degree of hybridity have a negative effect on employees' pragmatic legitimacy. We could assume that the middle way can offer salvation. As a possible policy recommendation, governmental actors could oblige NPO managers to conduct stakeholder assessments on a regular basis to have attention for the effects of both a business and social logic. When organizations are aware of these effects of hybridity, they can take actions to overcome the negative ones. Moreover, governmental actors can take this into account in their regulatory framework (e.g. more attention for employee motivation).

Future research can elaborate on this paper by having attention for the negative effects linked with nonprofit-business hybridity and delve deeper into the question of strategic responses in a multi-stakeholder context. For example, Kim (2015) found that non-profit organizations involved in workfare programs retained their so-called 'cooperative ethos' whereby they were working together with fellow organizations by dividing the market and forming cartels. This strategy enables them to deal with competition and possible negative effects. As a second example, Schwabenland & Hirst (2018) look at the internal strategies that managers in non-profit organizations use in order to deal with different views regarding hybridization in the organization.

This paper has some limitations as well. First, we only interviewed one stakeholder of each stakeholder group. This can include the risk that we interviewed a stakeholder with a more outspoken negative or positive opinion in comparison with the overall stakeholder group. However, it is also possible that stakeholders give socially desirable answers when talking about a sensitive issue as organizational legitimacy. Secondly, the disadvantage of a case study is the lack of external validity. These results cannot be generalized besides the two organizations we investigated within a particular sector.

Appendix

1. Schematic code tree

Nonprofit-business hybridity	Organizational characteristics	Organizational legitimacy and expectations
In general: market, corporations, business world, market-oriented, business like,	Capacity: knowledge, FTEs, employees, volunteers, financial, size, amount of, professionalization, reserve,	In general: satisfaction, support, legitimacy, score, survey, stakeholders, environment, pressure, external, internal, expectations, legislation, pressure, obligations, best practices
Commercialization: revenues, sale, financial, commercial, profit, turnover, price-setting, added value,	Structure: organogram, organizational structure, organizational model, organizational change, hierarchical, flat,	Moral: output, goods and services, effects, outcome, society, procedures, techniques, structure, models, manager, framework, way of working,
Managerialism: indicators, KPI, SWOT, SMART, consultancy, lean management, performance measurement, pay-for-performance, EFQM, ISO, standards, norms	Culture: values, logics, vision, mission, atmosphere	Cognitive: understandability, clarity, predictable, confusion, mission, vision, goals, taken-for-grantedness
Corporatization: board members, business world expertise, governing bodies, corporate governance, board of directors, management expertise, general meeting		Pragmatic: exchange, own interests, advantages, influence, representation, values, characteristics, motivation, workload, disadvantages, pressure

2. Interview list

Stakeholder	Organization
Manager	Organization A
Member board of directors	Organization A
Employee	Organization A
Volunteer	Organization A
Governmental actor	Organization A
Customer	Organization A
Client-employee	Organization A
Umbrella organization	Organization A
Manager	Organization B
Member board of directors	Organization B
Employee	Organization B
Volunteer	Organization B
Governmental actor	Organization B
Customer	Organization B
Client-employee	Organization B
Umbrella organization	Organization B

	Nonprofit-business hybridity	Organizational characteristics	Expectations and legitimacy
Manager	x	x	
Member board of directors	x	x	
Volunteer			x
Employee			x
Governmental actor			x
Umbrella organization			x
Client-employee			x
Customer			x

3. Document list

Type of document	Organization
Document governmental department WSE	Organization A
Employee organization involvement	Organization A
Preparation merger	Organization A
Future perspective 2020	Organization A
Client-employees quota allocation	Organization A
Satisfaction survey	Organization A
SWOT	Organization A
Subsidy city	Organization A
Strategic ideas (a)	Organization A
Strategic ideas (b)	Organization A
Strategic ideas (c)	Organization A
Strategic ideas (d)	Organization A
Strategic goals	Organization A
Strategic plan	Organization A
Scheme: back to the mission	Organization A
Cooperation festival organizer	Organization A
Cooperation second-hand textile (a)	Organization A
Cooperation second-hand textile (b)	Organization A
Cooperation re-use center	Organization A
Cooperation inter-municipal association (a)	Organization A
Cooperation inter-municipal association (b)	Organization A
Cooperation inter-municipal association (c)	Organization A
Cooperation inter-municipal association (d)	Organization A
Cooperation inter-municipal association (e)	Organization A
Cooperation second-hand household material	Organization A
Cooperation bicycle repair	Organization A
Cooperation labor care (a)	Organization A
Cooperation labor care (b)	Organization A
Preparation meeting board of directors	Organization A
Scheme board of directors	Organization A
Board of directors meeting (a)	Organization A
Board of directors meeting (b)	Organization A
Board of directors meeting (c)	Organization A
Board of directors meeting (d)	Organization A
Board of directors meeting (e)	Organization A
Annual report 2017	Organization A

Annual report 2016	Organization A
Annual report 2015	Organization A
Annual report 2014 - Organization A (before merger)	Organization A
Annual report 2014 - Organization B (before merger)	Organization A
Collection second-hand goods city	Organization A
Merger (a)	Organization A
Merger (b)	Organization A
European Social Funds (a)	Organization A
European Social Funds (b)	Organization A
Recognition counselors	Organization A
Recognition OVAM (a)	Organization A
Recognition OVAM (b)	Organization A
Recognition career counseling	Organization A
Recognition local service economy initiative	Organization A
Recognition re-use center (a)	Organization A
Recognition re-use center (b)	Organization A
Recognition competency development	Organization A
Recognition labor care	Organization A
Recognition labor care counselling	Organization A
Enclave cooperation (a)	Organization A
Enclave cooperation (b)	Organization A
Recognition file re-use center (a)	Organization A
Recognition file re-use center (b)	Organization A
Autonomous teams	Organization A
Audit European Social Fund	Organization A
Satisfaction client-employees	Organization B
Strategic note	Organization B
Composition board of directors	Organization B
Mission, vision and values	Organization B
Annual report 2017	Organization B
Annual report 2016	Organization B
Annual report 2015	Organization B
European Social Funds	Organization B
Audit	Organization B

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