


## Leveraging Logics to Address the Paradox: Commentary on ‘The Failure of Hybrid Organizations: A Legitimation Perspective’

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Hybrid organizations, like microfinance organizations (MFOs) and social enterprises, face the challenge of meeting the demands of competing institutional logics: essentially a social welfare logic and a commercial logic. A social welfare logic emphasizes solving social problems and improving the welfare of society while a commercial logic emphasizes efficiency and profit. These two field-level logics are supported by distinct sets of institutional actors. How do hybrid organizations cope with competing logics? In this commentary, I suggest that hybrid organizations may benefit by not seeking to reduce the number of logics that inform their operations; instead, they may paradoxically benefit by consciously situating themselves in an even denser set of institutional logics by seeking out engagement with the state and with social society actors.

In their study, Siwale, Kimmitt, and Amankwah-Amoah (2021) demonstrate that blending the two field-level logics does not always promise success. The authors challenge the assumption in previous studies that ‘once they adopt hybrid strategies, they either perform well or instantaneously fail’ by studying a failed MFO in Zambia. The focal MFO needed to comply with requirements of banks (i.e., the bank logic) as key stakeholders for legitimacy and resources, but as the organization evolved, the management team did not pay equal attention to the demands of poverty reduction (i.e., the development logic). Close coupling with the banking logic lead to mission drift and thus eventual failure. This study points out a paradox inherent in an organization’s strategic response to competing logics. Specifically, legitimation approaches adopted in early periods seems to create the risk of misalignment between its mission and stakeholder demands.

Our study (Liu, Zhang, & Jing, 2016) resonates with their findings by showing that the endurance of institutional multiplicity creates paradoxes in which solutions are only temporally effective. This paradox exists because actors’ interpretation and responses to logic conflicts that appear as a success at one stage could be deleterious at a later stage. Instead of studying failure, we were intrigued to find out

how to avoid this pitfall. We examined how actors navigate through multiple institutional logics and enact temporal strategies to gradually create and legitimate a new form of charity foundation in China. We found two societal-level logics function as the backdrop for actors to navigate and leverage: the *state logic*, focusing on political control and supervision, and the *civil society* logic, underlying the organizations' demand for autonomy and public empowerment. To provide some implications, in this commentary I highlight that future research could explore how hybrid organizations could *leverage* these two societal-level logics to secure legitimacy and resources and potentially mitigate the conflicts between two field-level logics.

The emergence of hybrid organizations in emerging markets are not only driven by field-level logics and constitutive actors but are also affected by societal-level logics where their meanings and practices are contested and negotiated between state and civil society actors. For example, attending to the *state logic* could help researchers grasp the regulatory environment and political context and explore how the regulatory system and power relationship shape the space for hybrid organizations and their work. An atmosphere of partnership with government agencies rather than an antagonism approach is likely to be useful to hybrid organizations and nonprofit organizations.

In China, although the overarching goal of the state is to secure political control and supervision over the nonprofit sector, the central government allows local experimentation. Local authorities also have incentives to encourage policy innovation, for example, officials in regions such as Shunde in Foshan, Futian in Shenzhen, and second-tier cities such as Chengdu are motivated to promote social enterprises. Compared to officials in first-tier cities, local officials have little chance of standing out on economic criteria in the appraisal of their performance. But because support to hybrid organizations is regarded as social and policy innovation, it provides a political signal that helps them stand out. Thus, local government officials have the incentive to support and collaborate with social enterprises.

Another strategy to secure legitimacy and resources is to attend to the *civil society logic*. Hybrid organizations cannot act alone. They need to mobilize support from society audiences, especially field advocating organizations that can build the scaffolding for the accumulation of issues and resource support. The development of advocating organizations may play two important roles: shaping and counteracting. *Shaping* takes place through the actions of constructing positive meanings, values, and moral quality for hybrid organizations to reach a wider societal audience. *Counteracting* occurs through the actions of infusing the forces to counterbalance government control, encourage autonomy and public engagement, and compensate for the lack of formal institutional support.

For example, in 2014 a group of seventeen Chinese top foundations and venture philanthropic organizations jointly initiated the China Social Enterprise and Impact Investment Forum (CSEIF). Among other supporting activities, CSEIF set up an annual award for social enterprises in 2017, issuing ten

awards, to recognize the positive impact companies and organizations of all industries and sizes have had on society and the environment in China. In 2020, CSEIF set up a new award to recognize social enterprises' special contributions to the 2020 anti-epidemic campaign. Furthermore, during the COVID-19 disruption, scholars, charity practitioners, and foundation leaders expressed their views of the lack of transparency and ineffective responses of government-affiliated charity organizations during the anti-epidemic campaign and called for more space and incentives given to nonprofit organizations.

When multiple advocating organizations effectively interreact and create a community, they enforce the power of civil society logic and shape positive meanings and values given to hybrid organizations. This strong collective action and community building could help accumulate support for hybrid organizations. It would be also intriguing to study how these advocating organizations and community building might function as 'evaluators', ensuring hybrid organizations are operating on the 'right track' (i.e., not drifting missions) and injecting the values of autonomy and public engagement. If this community building is effective, it could not only enhance hybrid organizations' credibility in the eye of government but also counteract government control and intervention.

Comparing the field condition in China (Liu et al., 2016) and Zambia (Siwale et al., 2021), we could understand why in the latter, over-conformity to the banking logic took place. In Africa, the state is often absent, and its capability is weak. This creates both opportunities and challenges. On the one hand, the absence and weakness of the state spurs development initiatives of hybrid organizations to do the job for which the state is not taking responsibility. On the other hand, the absence and weakness of the state limit the awareness of organizations of the need to negotiate power, leverage resources, and stimulate policy change. As for the lack of coordinated effects of advocating organizations, it is clear how the over-reliance on banks for resources and legitimation could happen, resulting in the dominance of banking logic and the neglect of development logic, which was supposed to be at its core.

To conclude, addressing the paradox inherent in the process of coping with multiple institutional logics presents abundant research opportunities in the context of China, Africa, and other emerging economies. Future research could go beyond conventional contestation between the social welfare logic and the commercial logic to explore leveraging among multiple logics. The context of China and Africa serve as laboratories for theory building (Barnard, Cuervo-Cazurra, & Manning, 2017). However, the application of leveraging strategy is not limited to these contexts; it could be also applied in advanced economies and societies where government and civil society could be enlightened, mobilized, and coalesced to address grand challenges and public crises such as COVID-19.

Confining to the dual logics of social mission and commercial could limit the opportunity for generating new theoretical insights and hinder hybrid organizations from pursuing bold and innovative practices. We should not be daunted by

multiple institutional logics but be inspired to study how actors explore the opportunities inherent in institutional multiplicity, especially in the state logic and civil society logic and how they develop leveraging skills to mitigate conflicts, create synergy, and eventually lead to organizational legitimation and growth and societal advancement.

## NOTES

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