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Understanding and combating mission drift in social enterprises

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Abstract:

Purpose – The aim of this paper is to develop a better understanding of the pressures that can cause mission drift among social enterprises and some of the steps that social enterprises can take combat these pressures.

Design/methodology/approach – The paper is conceptual in nature. It draws on resource dependency theory, institutional theory and various extant empirical studies to develop an understanding of the causes of mission drift. This analysis is then used to examine the practical steps that social enterprises can take to combat mission drift.

Findings – The paper highlights how high dependence on a resource provider and the demands of ‘competing’ institutional environments can lead to mission drift. Based on this analysis the paper sets out various governance mechanisms and management strategies that can be used to combat mission drift.

Practical implications – The paper sets out practical steps that can be taken to try to prevent mission drift, including governance mechanisms such as constitutional and legal safeguards, separating commercial and social activities, external accreditation, and management strategies to maintain commitment to organisational values and mission, and manage key resources dependencies.

Originality/value – The paper will be of value to other researchers attempting to understand the dynamics social enterprises and in particular processes that can lead mission drift, and to managers of social enterprises keen to combat these processes.

Keywords: social enterprise, mission drift, failure, institutional theory, resource dependency, governance

1. Introduction

Social enterprises are hybrid organisations that aim to achieve social (and/or environmental) purposes through some form of business or trading activity (Evers, 2005; Aiken, 2010; Gidron and Hasenfeld, 2012). Like non-profit or voluntary organizations their primary purpose is to achieve a social mission, but like businesses they have to operate successfully within the market place. Indeed the picture is sometimes more complex than this as some social enterprises are formed as ‘spin-outs’ from the public sector or are funded through public sector contracts, and so may also experience pressure to conform to public sector norms and requirements (Spear et al, 2007 and 2009). As a result social enterprises may experience tensions as they try to combine competing institutional logics (Cooney, 2006; Battilana and Dorado, 2010; Gidron and Hasenfeld, 2012). This can lead to instability, and social enterprises may experience mission drift as a business or market logic takes over, or conversely too great an emphasis on social goals may weaken the organisation as a business and possibly lead to commercial failure (Young et al, 2012). Yet as Young (2012) notes an important gap in the growing research literature on social enterprise is an understanding of their dynamics. This paper addresses that gap and focuses on two research questions: What are the pressures that can lead to mission drift? How can social enterprises manage these pressures to avoid mission drift?

Drawing on institutional theory and resource dependency theory it develops a conceptual framework to help explain the pressures that can produce mission drift. These pressures may stem from the market, the state or the wider culture. Drawing on this framework the latter half of the paper focuses on the second research question and discusses some of the possible means for enabling social enterprises to successfully steer a course between mission drift and financial failure. One important approach has been to use governance mechanisms to try to safeguard the mission of social enterprises (Young, 2012), and the paper looks first at how constitutional, legal and regulatory mechanisms, external accreditation and board composition can be used to this end. It considers some of the new legal forms that social enterprises can adopt and their advantages and disadvantages in terms of protecting the organisation’s mission and the constraints placed on access to resources.

The paper contends that while these governance mechanisms provide important safeguards there is still a danger of mission drift unless active steps are taken to manage the tensions arising from different institutional logics. These steps or strategies can be divided into two broad types. Those that seek to compartmentalize or ‘loosely couple’ the different logics into separate parts of the organization, and those that seek to integrate or ‘selectively couple’ the different logics. Drawing on extant empirical studies the paper examines various ways in which these strategies might be achieved.

2. Mission drift and social enterprise

Mission drift can be defined as a process of organisational change, where an organisation diverges from its main purpose or mission. In particular it has often been used with respect to organisations that have a social mission such as voluntary and nonprofit organisations, social enterprises, hospital and educational bodies that diverge from their original mission (Jones, 2007; Bennett and Savani, 2011; Man,

2013). Drawing on a number of cases in the US Weisbrod (2004) argues that commercialisation has been a common source of mission drift in nonprofit organisations. Jones (2007) extends this argument and suggests that the sources of mission drift may not just arise from commercial activities but also from dependence on any dominant funder such as the state or foundations. Recently there has also been considerable debate about whether the increasing commercialisation of micro-finance organisations represents a process of mission drift or just a maturing of this particular market (e.g. Christen, 2000; Armendáriz and Szafarz, 2009; Augsburg and Fouillet, 2010).

Identifying mission drift is often not straightforward. While it may occur in visible ways when an organisation formally changes its mission, strategy or objectives, it may also occur through less visible changes to working practices or the nature and quality of the services the organisation provides. As Weisbrod (2004) notes commercialisation may lead to subtle changes in incentives that influence managerial behaviour. There may also be times when it is appropriate for an organisation to change its mission because the problems or needs it was set up to address have changed, although distinguishing between what is necessary change and mission drift may not be straightforward (Bielefeld, 2009: 79).

Young et al (2012) suggest that it may be difficult for social enterprises that attempt to give equal weight to social and commercial objectives to achieve a stable equilibrium. They use the metaphor of a hill with a valley on either side: in one valley commercial purposes dominate and in the other valley social purposes do. Stable equilibrium is more likely to be achieved in the valleys than on the hill in the middle. As Young (2012) argues some combinations of the characteristics of social enterprises, such as legal forms, governance and sources of finance, are like to be more stable than others. He suggests that corporate social responsibility programmes and co-operatives are likely to occupy the valley where commercial considerations dominate. In contrast non-profits that set up trading operations to raise funds to support their work are likely to occupy the valley where social objectives dominate. For example in the UK many charities have been successfully running charity shops to raise funds without damaging the overall mission of the charity.

One of the difficult challenges that faces the field of social enterprise research is that there is no one widely agreed definition of social enterprise (Defourney and Nyssens, 2006; Teasdale, 2010; Young, 2012). Alter (2007:14) suggests that one way of thinking about social enterprises is as hybrid organizations that lie on a spectrum between traditional voluntary or non-profit organizations and traditional for-profit businesses. He further distinguishes social enterprises from socially responsible businesses that pursue social goals, but whose primary purpose is still to make a profit for shareholders, and voluntary and non-profit organizations that establish trading activities as a way of raising additional funds. Defourney and Nyssens (2006) see social enterprises as bridging the gap traditional non-profit organizations and co-operatives, because although co-operatives are commercial organizations their primary purpose is to serve their members, rather than make a profit for shareholders.

In this paper the main focus is on social enterprises that attempt to pursue both social and commercial activities at their core, but it will also consider non-profit

organizations that engage in commercial trading and co-operatives. This is for two reasons. Firstly, because the boundaries between these different types of organization is often blurred. Secondly, because, as discussed above, co-operatives and non-profits with trading activities are more likely to occupy the two valleys in Young's model, where it is easier to achieve a stable equilibrium with respect to social and commercial goals. As such they provide interesting boundary cases.

3. Theoretical perspectives on causes of mission drift

As noted above pressures from the environment, such as pressure from the market or dominant funders, can be an important source of mission drift. Two theoretical perspectives that are particularly useful in understanding the relationship between organizations and their environments are resource dependency theory and institutional theory (Oliver, 1991). Both are also useful in throwing light on the pressures or mechanisms that can lead to mission drift.

3.1 Resource dependency perspective

The fundamental idea underlying resource dependency theory is that all organisations are dependent on other organisations and actors in their environment to provide resources that are necessary for the organisation to operate (Pfeffer and Salancik, 1978). These resources include things such as: capital, equipment, raw materials, and labour. An organisation's dependence on other actors means that they have the potential to influence the organisation, and the degree of dependence will influence the amount of power they have. Three conditions affect the degree of dependence: the importance of the resources to the organisation; how much control those that provide the resource have over its deployment, and whether there are other sources of the resources or whether the provider has a monopoly.

In the UK one of the structural changes impacting on the third sector has been the contracting out of public services and the growing dependence of many organizations within the sector on government funding (Wilding *et al*, 2006; Reichart, *et al* 2008; NCVO, 2012). As a consequence many voluntary and nonprofit organizations have moved from providing services that supplemented public provision to being direct providers of what were previously regarded as core public services. In addition new social enterprises have been spun out of the public sector, for example 'Leisure Trusts' that have taken over responsibility for running leisure services from many local authorities (Spear *et al.*, 2007; Cornforth and Spear, 2010: 83-6). At the same time there has been a shift in much government funding from grants to contracts, accompanied by increased performance monitoring, regulation and inspection.

These changes have led some researchers to question how independent many third sector organizations are that are heavily dependent on government contracts (e.g. Harris, 2001; Carmel and Harlock, 2008). Research by the Charity Commission¹ (2007) provides some empirical support for this argument. In a survey of registered charities in England and Wales it found that charities that are funded to deliver public services are significantly less likely than other charities to agree that their charitable activities are determined by their mission rather than by funding opportunities, and that they are free to make decisions without pressure to conform to the wishes of funders. The research also revealed that those charities that received funding to deliver public service were often highly dependent on this source of income. One third of organisations that deliver public services were dependent on government

contracts for more than 80% of their income and for charities with an income greater than £10 million the proportion of charities with this high level of dependence on government contracts grew to two thirds.

Harris (2001) highlights how this environment poses important challenges for the boards of many voluntary organizations, particularly smaller, local organizations whose boards may not have the professional expertise to deal with the risks and demands of this increasingly commercial environment. There has also been considerable concern within the sector itself about the challenges to its independence. In the UK, for example, the Baring Foundation established a high profile panel to examine how the sector could protect its independence. A report from the panel raised concerns about 'instances where the state appears to exercise undue influence over the governance of charities' (Independence panel, 2012: 22). Such pressures can be a source of mission drift. The report recommended that boards regularly reflect on the external pressures their organizations face and consider ways of protecting their organisation's independence. It also called for better regulation and safeguards to protect the independence of the sector. Similarly Jones (2007) cites examples where a high level of dependence of non-profit organisations in the US on a single source of funds, be it from government or foundations, has led to mission drift.

As Young (2012) notes his model of a hill and valleys may need extending to include the valley of 'government capture', when an organization becomes in essence a subsidiary of the state.

3.2 An institutional perspective

Institutional theory suggests the environment may place demands on organizations in two ways (DiMaggio and Powell, 1991b). First, are economic and technical demands that stem from the market or quasi-market in which organizations operate. Second, are social and cultural demands that 'require' organizations to behave or operate in certain ways.

Historically there has been a good deal of debate about the impact of the market place on organisations such as co-operatives that share some of the characteristics of social enterprises (Defourney and Nyssens, 2006). Many writers on the left have been pessimistic about the potential of enterprises, such as co-operatives, to pursue social goals. Marx himself had mixed views on co-operatives. Whilst he acknowledged that co-operatives demonstrated the feasibility of certain aspects of a socialist mode of production, he also felt that while they operated in a capitalist system they were doomed to reflect that system. This has been a recurring theme in subsequent Marxist analysis of worker co-operatives (e.g. Mandel, 1975). The main thrust of this analysis is that isolated worker co-operatives (or by extension social enterprises) cannot change the wider forces and relations of production that have developed under capitalism, but will be subject to these forces. In particular the need to survive in a competitive market will force them to seek to maximise profit in the same way as other capitalist businesses and to adopt the same forms of organisation or risk failure.

However, others have rightly taken issues with this economic determinism. For example Tomlinson (1981) argued that management in co-operatives, or capitalist enterprises for that matter, is not entirely determined by external economic factors. Instead these wider economic factors are better regarded as constraints, which

although they may be severe, do leave co-operatives some choices to develop wider social objectives beyond profit maximisation. The degree of constraint is also likely to vary between different markets and the extent to which social enterprises are dependent on the market place to survive. Many social enterprises only raise a proportion of their funds from trading activities and have a mix of other sources of funds, for example from donations and grants. Nevertheless the need to compete in the market does place important constraints on what they can do, and can also leave them vulnerable to take over by other private firms. One approach to try to mitigate the influence of the market has been to develop governance mechanisms that attempt to safeguard an organisation's social mission and assets, which is discussed in more detail later (Young, 2012: 27-29).

The new institutional theory of organizations (DiMaggio and Powell, 1991a; Scott et al., 1994) is helpful in trying to understand the cultural and social influences on organisations. A central idea of institutional theory is that within organizational fields, defined as the network of organisations and actors that combine to produce similar products or services, various ideas and practices gain legitimacy and become the accepted or taken-for-granted way of thinking and doing things, which shape organizational behaviour. As ideas and practices become institutionalised; they take on 'a rule like status in social thought and action' (DiMaggio and Powell, 1991a: 9). Hence, organizations are not just shaped by the need to be efficient and effective (as stressed in economic theories), but by 'cultural elements' of the environment, that is 'taken for granted beliefs and widely shared rules that serve as templates for organizing' (ibid. 26-27). In order to gain legitimacy organizations adopt these institutionalised beliefs and practices. An important thesis within institutional theory is that, over time, common institutional pressures result in organizational forms and practices in particular organizational fields converging or becoming isomorphic (DiMaggio and Powell, 1991b).

However, this thesis has been criticised for being overly deterministic, neglecting the role of agency and inadequately explaining organizational variety and the way institutions develop and change. Friedland and Alford (1991) suggested that one promising way of dealing with this problem is the idea that society comprises many institutional orders which are potentially contradictory, so that organizations in a field may be subject to competing institutional pressures leading to conflict and choice (Pache and Santos, 2010). Increased attention has also focussed on institutional entrepreneurship and how actors may change or develop new institutions (Greenwood and Suddaby, 2006). Kraatz and Block (2008) set out some of the theoretical and practical implications that institutional pluralism has for organizations. They argue that institutional pluralism may have both negative and positive consequences for organizations. Negative consequences include the potential for goal ambiguity, fragmentation, conflict and instability. However, there may also be positive consequences. They suggest there may be complementarities between different institutional identities, so that serving one may enhance another.

Interestingly for the purposes of this paper Kraatz and Block (2008) identify four basic ways in which organizations may adapt to the demands of plural institutional environments. First, an organization may adapt by consciously or unconsciously trying to eliminate pluralism by challenging or not acknowledging the legitimacy of certain claims, while supporting others. This may result in mission drift as for

example priority is given to business success at the expense of the broader social mission, or vice versa to business failure as priority is given to the social mission at the expense of commercial considerations.

A second approach is to '*compartmentalize*' the different identities and logics in the organization, so that the different parts of the organization contain the separate institutional logics and attend to different institutional demands. What in the literature is often called 'loose coupling' (Weick, 1976). Interestingly this is an approach adopted by many UK charities that establish trading subsidiaries, so that commercial activities are contained in a separate subsidiary that is owned by the charity.

In contrast to the second approach the third and fourth approaches aim at *integrating* rather than separating the different logics within the organization. The third approach concerns trying to manage competing demands and logics. Strategies may range from playing off one constituency against another, to more co-operative solutions, such as trying to get the different constituencies to recognise their mutual dependence and the need for balance. This approach may involve reaching a *comprise* between conflicting views and logics, so that the different parties recognise the legitimacy of each others views and practices even if they don't necessarily agree. However, Kraatz and Block (2008) suggest that these compromises are often uneasy and that tensions are still likely to remain between different groups.

Fourthly, organizations may attempt to forge a *new identity* that combines the different institutional logics, which gains wider legitimacy and begins to create a new organisational field. This may be what is happening in social enterprise fields such as fair trade, which has gained widespread legitimacy and acceptance. Much of the work of social enterprise associations, such as the Social Enterprise Coalition (<http://www.socialenterprise.org.uk/>), is about trying to gain this legitimacy. Kraatz and Block (2008) suggest that some organizations may become an 'institution in its own right', and become a 'valued end in its own right and thus become capable of legitimating its own actions'. A few well known social enterprises such as the 'Big Issue' may have achieved this status.

Further independent support for these different approaches comes from Moizer and Tracey (2010). Using a different theoretical approach, based on a systems analysis of the strategic options open to social enterprises to manage their commercial and social missions, they identify a number of very similar approaches. The first strategy they discuss is to 'separate social and commercial missions' that corresponds with Kraatz and Block's second approach. The second strategy is to 'integrate social and commercial missions', which corresponds to Kraatz and Block's third and fourth approaches that represent different degrees of integration.

While the above theoretical analysis suggests possible causes of mission drift and some broad approaches or strategies that can be taken to combat it the following sections go further and draw on extant empirical studies suggest some practical steps that can be taken by social enterprises to try to prevent mission drift. The next section analyses how various governance mechanisms can be used to combat pressures for mission drift arising from the market and resource dependencies. Then we analyse the steps that organisation can take to manage the tensions that arise from institutional pluralism drawing on three broad approaches outlined by Kraatz and Block. First we

will examine the strategy to compartmentalize or split the different activities of organisation. Second we will examine integrative strategies to manage tensions and, or create a new identity.

4. Combating mission drift through governance mechanisms

One way of attempting to safeguard the mission of social enterprises in the face of market pressures and resource dependences is through the use of governance mechanisms designed to safeguard the organisation's mission. These include constitutional, legal and regulatory mechanisms; external accreditation and board composition.

4.1 Constitutional, legal and regulatory mechanisms

A social enterprise can build safeguards into its constitution to protect its social mission by setting out clear social objectives for the organisation. However, constitutions can be changed or ignored. Historically, there are many examples of co-operatives and mutual organisations that were established for the benefit of their members that have demutualised or been taken over by capitalist firms. In the UK the demutualisation of many building societies is a classic example (Marshall, 2003). In the US the takeover of the Ben and Jerry's by Unilever is another high profile example (Page and Katz, 2012).

As a result attention has focused on legal forms of organisation that offer additional safeguards to protect the organisation's mission and mitigate market pressures. For example in the UK if an organisation has social objectives that qualify as charitable it can register as a charity, which places certain legal obligations on the organisation, including ensuring that the organisation assets are only used to meet its charitable mission, which are overseen by the charity regulator. However, this option is not open to all social enterprises and there has been a good deal of debate over whether new legal forms are needed for social enterprises and the form they should take (e.g. Page and Katz, 2012).

In response a number of jurisdictions have developed new legal forms that are better suited to the needs of social enterprises. In the US these include the Low-profit Limited Liability Company, the Benefit Corporation and the Flexible Purpose Corporation (Battilana et al., 2012; Cooney, 2012). In the UK the Community Interest Company (CIC) has been developed, which was designed to enable people to establish a business for the benefit of the community and not purely for private gain, and is overseen by the Regulator of Community Interest Companies (Cooney, 2012).

A key concern in developing these new legal forms has been how to balance protecting the organisation's social mission while allowing better access to external finance. The CIC attempts to protect a social enterprise's mission through a 'community interest test' to ascertain that the purpose of the organisation is of benefit to the community, and an 'asset lock' that prevents the assets of the organisation being used for other than their designate purpose. On dissolution any surplus assets of a CIC have to be transferred to another organisation with an asset lock, so that it assets can not be sold off for financial gain. If a CIC's constitution allows, it can pay a dividend on equity investments, but a cap is placed on the amount of dividends and interest that can be paid. There has been a good deal of debate about whether these restrictions are too severe and discourage equity investments, or whether loosening

the cap would dilute a social enterprise's social mission. A consultation carried out by the regulator in 2009 did lead to the loosening of restrictions on dividend and interest payments (Regulator for Community Interest Companies, 2010), but debate still continues about the appropriateness of these changes and whether further reform is required (De Grave, 2013; Spreckley, 2014).

4.2 External accreditation

Regulation is often relatively 'light touch' and regulators will usually only investigate an organisation if allegations of a serious breach of regulations are received. Another way of trying to ensure social enterprises maintain their distinctive characteristics is through some kind of voluntary, external accreditation of standards. One example in the UK is the Social Enterprise Mark (see <http://www.socialenterprisemark.org.uk/>). In the absence of a legal definition of a social enterprise it sets out various criteria that it believes social enterprises should meet. To meet these criteria a social enterprise must have: social/environmental aims and demonstrate social value; at least 50% of revenue coming from trading; at least 50% of profits being used for social/environmental aims; its own constitution and governance, and any residual assets distributed for social/environmental aims if the organisation is dissolved. In order to receive accreditation social enterprises have to demonstrate how they meet these standards. Organisations may also be subject to periodic inspections to assess compliance. However, while external validation of standards offers some reassurance against mission drift there is no guarantee that standards will not change over time, or that external measurement and enforcement will be adequate. There has also been debate over what are the appropriate standards or criteria that should define a social enterprise, for example over the percentage of revenues that should come from trading (Teasdale et al, 2013).

4.3 Board composition

The board or governing body of a social enterprise has the ultimate responsibility for trying to ensure that the organisation achieves its mission and remains financially viable. As a result it has the responsibility for managing any tensions between commercial or financial imperatives and the organisation's social goals. Resource dependency theory suggests one way of managing external dependencies is to co-opt people who control important resources onto the board. As a result organizations may include on their boards people with different interests and competences, so that there are people with commercial skills and people with expertise relevant to the organisation's social mission. Some organisations may go further and include 'representatives' of other stakeholder groups, for example staff, funders and beneficiaries or users.

However, including multiple stakeholders on boards is not without its own potential challenges. As Pache and Santos (2010) note the internal representation of multiple institutional demands can lead to conflict and manipulation. They suggest that the more even the power balance between these representatives the more likely is organizational paralysis or break up. They also note that conflicting institutional demands on organizations are likely to be particularly prevalent in the provision of public and social services. Interesting many social enterprises in the UK that have spun-out of the public sector have multi-stakeholder boards embodying a variety of different interests, often including staff, users, and trade union and local authority nominated members (Spear et al, 2007: 51-54). This research revealed a number of

different governance challenges associated with multi-stakeholder boards and the culture change necessary in order to enable boards and staff to face market challenges. One problem is what one interviewee called ‘delegate syndrome’, where board members act as if they are delegates for the particular stakeholder group they come from rather than act as a team in the best interests of the organization as a whole. Another reported challenge is to move away from the bureaucratic culture and structures common in the public sector to a more enterprising culture needed to for commercial success.

5. Combating mission drift by compartmentalizing commercial and social mission activities

One of the common ways in which some social enterprises manage the financial risks of engaging in commercial activities and the risk of mission drift is through ‘compartmentalizing’ or ‘separating’ the different activities of the organisation. In essence this is a form of loose coupling discussed above. For many charities separating the commercial from non-commercial parts of the organisations is a legal requirement in the UK. If a charity wants to engage in significant trading activities that do not directly further its charitable objects it is required by law to establish a trading subsidiary. Charities may also decide to set up trading subsidiaries as a way of protecting their charitable assets from commercial risks and for tax reasons (Sladden, 2008). Whatever the reasons this is one important way of trying to protect an organization’s social mission while benefitting from trading activity.

Interestingly there have also been moves in the ‘opposite’ direction, where social enterprises that were established to trade in the market have subsequently established charitable subsidiaries where they have social goals that qualify as charitable. This has the advantage again of helping to protect their social mission and means that their charitable activities are better able to attract grants and tax relief (Social Enterprise Coalition, 2007:15).

There is no guarantee that separating social and commercial activities in this way can eliminate all tensions between social and business goals. Chew (2010) carried out comparative case study research on the strategic positioning of four social enterprises set up as subsidiaries of UK charities. She found that the charities have ‘strong strategic positions ... anchored in their charitable missions’ that helped to prevent mission drift as they developed commercial activities. This constrained the subsidiaries developing their own distinctive identities. In addition there were cultural differences that lead to emerging tensions. The charities had an operational culture that emphasised control, policies and processes whereas the social enterprises had a more enterprising culture. Similarly, Spear et al (2007: 34-41) also reveal a number of perceived tensions in trading charities. For example in one children’s charity there were regular discussions about putting fees for services up because of concerns about reserves. However, the charitable side of the organization resisted these proposals because of the likely negative impact on some of the charity’s main beneficiaries.

Cooney (2006) in a detailed case study of a nonprofit human services organization in US details how even though it had separate divisions for business and social service units with their own separate goals, budgets and operating procedures it failed to prevent tensions between the divisions. The organisation provided welfare to work service, where the social services division recruited, case managed and monitored the

flow of clients in and out of the business divisions for vocational training and rehabilitation. Tensions arose because of the different external pressures the units faced from their fields. It was difficult to meet the demands of the businesses with the need to meet enrolment targets for clients set by grant funders.

6. 'Integration' strategies for combating mission drift

While the governance mechanisms and compartmentalizing strategies discussed above can be important in helping to protect a social enterprise's social mission in the face of commercial pressures it is unlikely that they by themselves can eliminate the tensions arising from different institutional logics and the dangers of mission drift. It is also important to consider agency and how key actors within a social enterprise can act to manage tensions and reduce the chances of mission drift. Action may need to take place at the micro, organizational and macro-level (Tracey et al, 2013).

6.1 Micro-level strategies: recruitment and socialisation

The creation of any organisations is in part an exercise in the 'creation and maintenance of meaning' (Lodahl and Mitchell, 1980: 186). The problem facing social enterprises is how can they develop and maintain among their staff (and if relevant their members or other important stakeholders) a commitment to the social mission and values of their social enterprise in a society and economic system where these principles and ideals are not dominant?

Two important factors in maintaining a commitment to the values and goals of an organisation among its members are careful selection and socialisation (Lodahl and Mitchell, 1980: 191-197). Both these processes are important in helping to ensure that those working in a social enterprise share a common commitment to its values and mission. Cornforth (1995) in a case study of a worker co-operative noted how there was a decline in co-operative working practices in one department of a co-operative in comparison with other departments when commitment to co-operative values was not seen as an important selection criterion in that department. Aiken (2006) highlights the importance of what he calls 'protective entry strategies', including careful recruitment, induction and mentoring as a way of reproducing values within three social enterprises he studied. In particular he notes the role of founders and other long term members of the organisations who act as 'value carriers' sustaining the values of the organisation and transmitting them to new members of the organisation. Child (2012: 190-194) in a study of a family-run social enterprise that imports coffee and runs coffee shops shows the importance of particular socialisation processes. Initially the business did not sell fair-trade coffee. However, after a visit by the family to see how coffee was produced an ethical decision was made to sell fair-trade coffee although there was little commercial advantage at the time. Similarly, Child (2012) notes in another successful fair trade organisation the importance of sending new employees to visit producing communities as a way of reinforcing the value of what they do.

However, not all recruitment and socialization strategies may be equally effective in forging a new identity and reducing conflict between adherents of competing logics in the enterprise. A fascinating study by Battilanna and Dorado (2010) compared the recruitment and socialization strategies of two micro-finance social enterprises in Bolivia. One of the social enterprises adopted what the authors' called an *apprenticeship* strategy. This involved hiring recent graduates without previous work

experience in either finance or development because it was felt it would be easier to socialize through intensive *means-oriented* training into an organizational identity that combined both commercial and development logics. In contrast the other social enterprise adopted what the authors' called an *integration* strategy, where people were recruited for the skills in either finance or development and then underwent intensive *ends/mission-oriented* training in an attempt to integrate staff and develop a commitment to mission of the organisation. While the integration strategy could be implemented more quickly, and was successful in developing commitment to the organisation's mission, it failed in the longer term to prevent conflicts developing between staff groups with finance and development identities forged in previous work experience. In contrast the apprenticeship strategy that focussed on operational excellence was slower to implement, but it was more successful in developing an identity that combined different logics and prevented conflicts between the different staff groups.

6.2 Organizational strategies: Compromise, selective coupling and managing resource dependencies

At the organizational level integration strategies include compromise, selective coupling and actively managing resource dependencies. Pache and Santos (2013: 975) give an example of a compromise strategy from the micro-finance industry. In this industry a development logic suggests setting interests rates as low as possible in order to relieve pressure on poor clients and stimulate enterprise, whereas a commercial logic suggests setting rates to maximise profits. They suggest micro-finance organizations often set a 'compromise' rate somewhere between these two rates in an attempt to 'demonstrate good faith to both constituents'. However, they conclude that compromise may not win full support from constituents, particularly in the longer term, and may lead to internal dissent from adherents to these conflicting positions.

Pache and Santos (2013) drawing on an empirical study of four work integration social enterprises in France suggest that social enterprises not only adopt strategies of compartmentalization or loose-coupling and compromise, but what they call 'selective coupling'. This involves selectively adopting practices from different institutional logics. In their study the organizations had to respond to both a social-welfare logic and a commercial logic. Pache and Santos identified ten different elements or characteristics of these organisations that differed according to the different institutional logics, which they grouped together under goal, organizational form, control and professional legitimacy. They found that organizations adopted different patterns of response, so on some characteristics they chose to compartmentalize or compromise, but on the majority of elements they chose selectively from the different logics.

Social enterprises can try to pro-actively manage resource dependences so that any negative consequences for their mission and survival can be mitigated. One important strategy is diversification of funding sources in order to reduce the influence of any one funding organisation. However, in some fields of activity this may be difficult to do or may take substantial time to develop. As noted earlier many UK charities that engage in providing public services are highly dependent on government contracts for a high proportion of their income (Charity Commission, 2007). In these circumstances a strategy of trying to increase the organizations influence with those it depends on for

resources may help. Dependence is a two way relationship and a funder may also become dependent on a provider for services. Drawing on case studies of three charities in the UK that were heavily dependent on government contracts for funding Bennett and Savani (2011) identified various coping strategies that the organisations used to increase their influence with government funders. These organisations proactively engaged with the government agencies, provided ancillary services, and attempted to control the direction of government funded projects using the practices of strategic account management. By these means they ‘... systematically increased a state funder’s dependence on the charity for innovation, for the execution of complex duties, and for dissemination of knowledge...’ Of course in some circumstances it may be necessary to decline funding if it is not in line with the organisation’s mission.

6.3 Macro-level strategies

Social enterprises may also need to engage in more macro-level strategies in order to gain legitimacy for their organization and business model. Based on a case study of the social enterprise Aspire, which aimed to provide support and employment for homeless people, Tracey et al. (2013) observed two macro level strategies the founders of the organisation employed to gain support for their organisation and its innovative way of tackling this important social issue. First they skilfully linked their enterprise to wider macro-level political discourses about the ‘third way’ and the innovative role of social enterprises in delivering public services. Second, they engaged in building relationships with actors perceived to have a high degree of public legitimacy, such as members of the Royal Family, the government and business leaders in order to gain endorsement and publicity for what they were doing.

In addition linking with wider social movements that share similar values may also help to sustain those values within the organization. This is an issue that scholars of co-operatives and other alternative forms of organisations have addressed. Based on a study of alternative, collective organisations Rothschild-Whitt (1976) found that links with broader social movements that share similar values was an important factor in helping to sustain those values among workers within the organisations. These findings were supported by Cornforth (1995) in a study of four UK worker co-operatives established in 1970s that showed they all had links with wider social movements and groups that supported their values. Similarly, Aiken (2006) in a study of three social enterprises noted how social movements if they permeate the organisation can help sustain values.

6. Summary and conclusions

History suggests it can be difficult for ‘alternative’ forms of commercial enterprise, such as co-operatives, to achieve both their social mission and commercial success. There is the ever present danger that they succumb to mission drift as commercial priorities take precedence or business failure if social mission is given precedence. Similarly social enterprises may experience tensions and instability as they try to combine different institutional logics. An important challenge for research on social enterprise is to gain a better understanding of these dynamics (Young, 2012). This paper has attempted to respond to that challenge by drawing on resource dependency theory and institutional theory to better understand the external pressures that can lead to mission drift. These pressures make come from the market, the state (or other bodies an organization is dependent of for resources), and the wider culture.

Drawing on extant empirical studies the paper examines some practical steps social enterprises can take to try to prevent mission drift. These can be divided into three broad types - governance mechanisms, compartmentalization or loose coupling, and various integrative strategies ranging from compromise to selective coupling and the creation of a new identity. Governance mechanisms include constitutional, legal and regulatory safeguards, external accreditation and board composition.

While governance mechanisms and compartmentalization can offer important structural safeguards, they may not be sufficient by themselves to prevent mission drift. Those who govern and manage social enterprises need to consider how they can actively manage the inevitable tensions that arise from competing institutional logics. Actions may be needed at the micro, organizational and macro levels.

At the micro-level empirical case study research suggests that careful selection, induction and socialisation processes will be crucial in order to develop a shared commitment to the organization's values and mission, and help integrate staff with a commitment to different institutional logics. At the organizational level an important study by Pache and Santos (2013) suggests that organizations do not have to simply choose between the broad approaches based on compartmentalization, compromise or building a new identity, they can selectively combine different strategies and selectively couple elements of different institutional practices depending on their circumstances. At the macro level social enterprises can build legitimacy through linking with wider political and social discourses, and winning the support of actors with a high level of perceived legitimacy. Retaining active links with other organisations and movements that share similar values can also help sustain those values within the organization.

Much of the empirical research examining how social enterprises deal with conflicting institutional logics has been based on in-depth case study research in particular fields, such as micro-finance, work integration or fair trade, and in particular country contexts. While this research has been important in revealing the structures and strategies that these social enterprises adopt to try to manage different institutional logics, it is unclear the extent to which these findings can be generalised to other social enterprises within those fields, to social enterprises working in different fields and in other country contexts. There is scope therefore for further replication studies that attempt to test and refine these findings, and for comparative case study research to examine the appropriateness of these structures and strategies in other fields of activity and contexts.

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¹ The Charity Commission is the regulator for charities in England and Wales.