

## Chapter 18

# Operational Challenges in Hybrid Organizations: Insights for Future Research

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### ABSTRACT

*The last few years have witnessed the emergence of hybrid business models, in particular, social enterprises, which combine social and economic concerns in the same extent. Social enterprises are ambidextrous organizations that conduct activities to meet the social needs of their target beneficiaries simultaneously with income generating activities. This hybrid operational nature raises new questions about the definition and identification of an effective operations management strategy. The present chapter aims to identify the main operational challenges faced by hybrid organization in order to open avenues for future research. Drawing on current literature, the main concepts, the definition of an operations strategy and the social enterprises as hybrid organizations, are discussed. Findings suggest that the main operational challenges arise from hybridity. This chapter contributes to the theory and practices of social enterprises and concludes by identifying some opportunities for future research.*

### INTRODUCTION

In recent years, there has been a proliferation of hybrid organizations and a diversification of the organizational and competitive landscape (Walker, 2015). Social enterprises as hybrid organizations are attracting a growing interest among academics and practitioners (Doherty, Haugh, & Lyon, 2014). The emergence of these organizations with a hybrid nature has been explained to a great extent by the economic context that has been fueled by the economic crisis, especially in the European context. This has resulted in substantial shortenings in the financial support provided by the State to nonprofit organizations, who typically address social needs (e.g. elderly care, support and social inclusion of disadvantaged individuals,

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etc.). In the current context, the financial sustainability of organizations addressing such beneficiaries is put at risk, and they are forced to find alternative ways to generate revenues while pursuing their social mission (Battilana & Lee, 2014; Smith, Gonin, & Besharov, 2013).

Social enterprises face many challenges once they try to conciliate social and economic concerns under a common organizational and operational system. To be successful they need to do a great job managing limited resources, therefore the attainment of effective operations management must be at the core of their priorities. Nevertheless, and unlike traditional for-profit organizations, social enterprises are not necessarily targeting the pursuit of a competitive advantage in order to overcome their competition. Glavas and Mish (2014) suggest that those organizations, aiming to become more responsive socially and ecologically while prospering economically, they focus on assuring a collaborative advantage more than a competitive advantage, since most of them strive to have sustainable resources, which are imitable, easy to find and substitutable. This is important to ensure that it is possible to scale their organizational and operational models in order to implement them in different contexts.

Whereas the topic of operations strategy is, to this date, largely unaddressed for the specific context of social enterprises, it is an exhaustively explored and mature topic in operations management literature. The definition of an operations strategy involves a set of managerial decisions concerning the structure and functioning of the production system. A company can choose between many operations strategy configuration models, according to what is perceived, in a specific moment and decision making context, as the best alternative to improve production effectiveness, in order to meet market requirements and achieve the expected performance. Several authors have mentioned in their studies the important role of operations strategy in performance (Díaz Garrido, Martín-Peña, & García-Muiña, 2007; Espino-Rodríguez & Gil-Padilla, 2014; Martín-Peña & Díaz-Garrido, 2008). According to McDermott, Markman and Balkin (2003), if entrepreneurs successfully identify opportunities but fail in their implementation at the operational level, their ability to sustain a competitive advantage will also fail.

The emergence of hybrid organizational structures such as social enterprises is challenging the prevalent knowledge on operations management and more specifically on operations strategy. It raises a set of interrogations regarding the goals to which the operations function must respond, as well as the nature of the operations decisions involved. Most of the studies addressing the management of social enterprises published to this date have focused on the definition and characterization of their goals and activities, the identification of their specificities when compared with traditional nonprofit and for-profit organizations, while the development of new managerial knowledge in this domain remains largely unexplored.

However, there are enough arguments to sustain that it is important to develop knowledge about the operational organization of the activities of these enterprises, notably from the perspective of their operations management. The ambidexterity that characterizes the operations of these organizations, i.e. conducting income generating activities simultaneously with other activities for the generation of social impact, raises questions about how to typify the operations strategies adopted by social enterprises. Building on the literature and on the rationale derived from the practices of social enterprises acting in field (that are geographically closed to the authors and, therefore, they were better known by them), this chapter aims to:

1. Present the main concepts behind the definition of an operations strategy and the main reasons why social enterprises are labelled as hybrid organizations, as well as the tensions emerging from their hybridity.

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