

Building Character: The Formation of a Hybrid Organizational Identity in a Social Enterprise

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BACKGROUND: SOCIAL ENTERPRISES AS HYBRID ORGANIZATIONS

Social enterprises are organizations that use a commercial model to improve the situation of people who are excluded, marginalized or disadvantaged in some way. Social enterprises resemble traditional commercial enterprises and charity organizations, but differ from them in significant ways. Like commercial enterprises, social enterprises are set up to make a profit; like a charity they advance a social mission. However, unlike commercial enterprises, social enterprises are not set up *solely* to generate a profit for its shareholders; unlike a charity, social enterprises do not rely on donations from sponsors to fulfill their mission. Tom's Shoes, founded by U.S. entrepreneur Blake Mycoskie, is an example of a social enterprise. For every shoe the company sells in the U.S. it donates one shoe to someone in need in less developed countries.¹ The Kunda Café on the Nazarbayev University (NU) campus is another example of a social enterprise. It has a mission to provide employment to disabled people, but must turn a profit in order to do pursue that social mission.



Since they have features of commercial businesses and non-profit charitable organizations, social enterprises are conceptualized by scholars as *hybrid* organizations. Scholars recognize that despite their potential for creative problem solving, hybrid organizations face significant challenges. First, because they do not fit neatly into one category, hybrid organizations often struggle to successfully attract funding from external financiers and patronage from customers. Customers and external funders seem to say to social enterprises, “We are not quite sure who you are. Are you a charity or are you a profit-making venture?” Second, more important for our study, hybrid organizations often experience conflicts over identity—“who we are as an organization”—as the company’s employees who have often have opposing values and beliefs duel over the priority given to commercial versus social goals.

Microfinance organizations operating in the developing world, for instance, usually have a developmental mission: to alleviate poverty. They achieve that mission by offering small loans to individuals who would otherwise have to borrow from predatory lenders. In one influential study of two Bolivian microfinance organizations that had recruited employees with experience in either commercial lending or development work (social workers) researchers found that the organizations suffered intractable conflicts due to differences in values and professional socialization between the staff. While employees with commercial banking backgrounds favored credit checking of customers and strict audit procedures, the social workers blamed staff with banking backgrounds for imposing strict controls that

¹ Buchanan L. What's Next for Toms, the \$400 Million For-Profit Built on Karmic Capital [Internet]. Inc.2021 [cited 2021 Feb 25]; Available from: <https://www.inc.com/magazine/201605/leigh-buchanan/toms-founder-blake-mycoskie-social-entrepreneurship.html>

prevented the organizations from alleviating poverty. Due to the conflict, the microfinance organizations risked losing their hybridity; they risked becoming either more like a traditional bank or more like a development NGO [non-governmental organization] instead of keeping both characteristics in balance.

Given the potential for conflict in social enterprises and the threat that conflict poses to hybridity, we posed the following research question, “How does a nascent social enterprise sustain its hybridity?”

RESEARCH SETTING: FAIRPHONE

Our paper is based on data collected in two research projects conducted at Fairphone, a social enterprise based in Amsterdam, The Netherlands. The first project consisted of a series of interviews and documentary investigation conducted by my co-authors; the second project was ethnographic fieldwork that I conducted at Fairphone between October 2013 and March 2015. Ethnography is a qualitative research design wherein a researcher is immersed in an organization in order to learn how the organization actually functions, and how employees understand their organization.

Fairphone was founded in January 2013 by two novice entrepreneurs, Bas van Abel (Dutch) and Miquel Ballester (Spanish). The founders initially had no interest in forming a company. They had coined the term “Fairphone” in late 2010 simply as a public relations (PR) gimmick intended to raise the Dutch public’s awareness of the appalling conditions under which minerals are extracted in the Democratic Republic of Congo (DRC). Since the late 1990s, rising global demand for smartphones has fueled violent competition for control of Congo’s rich deposits of tin, tantalum, tungsten and gold, which are vital for the manufacture of smartphone components. As the Congolese state failed, various militia loot these “conflict minerals”—and in the process inflict suffering on the local population.

An unexpected commercial success story. Despite having no experience in the smartphone industry, Van Abel and Ballester, joined by a small team of idealistic activists, announced a crowdfunding campaign on Fairphone’s website in May 2013. They asked people to join them in “starting a movement” to create the first “fair” smartphone. Customers were invited pre-purchase the fair smartphone at €325 for delivery in December 2013. Van Abel and his team of “creatives,” as they called themselves, hoped to raise enough money to produce 5,000 fair smartphones from a small Chinese factory. They were wrong. By January 2014, they had sold 25,000 phones with even more customers placed on waiting lists. Faced with commercial success, Van Abel realized that he could no longer run the company like an idealistic awareness campaign. Fairphone, which had grown to nearly 30 employees in the time, needed to be run, in Van Abel’s words, “like a real company.” Fairphone needed to attract “pragmatists” skilled in marketing, product development, operations and customer service.

Motivation for research question. As I observed Fairphone staff conduct the everyday business of running a fast-growing company, I noticed the staff struggle to maintain the élan that characterized the early phase of the company. More idealistic staff asked, “What do we [Fairphone] stand for after

selling so many phones?” In interviews, my informants repeatedly said, “We don’t know who we are and what we are.” More pragmatic staff repeatedly clashed with the idealists. One of them remarked during a heated exchange in February 2014, “We cannot change the system [the phone industry] without a good product. Cash is king; we need to focus on our product, on our customers. That’s all that matters now.” In other words, Fairphone’s employees were having conflicts about the organization’s identity.

MAIN TAKE AWAYS

Findings. During the study Fairphone developed two models of their fair smartphone, the Fairphone-1 and the Fairphone-2. See Figure 1.

Figure 1—The fair smartphones. From Fairphone-1 (left) to Fairphone-2 (right)



Source: Fairphone.com

Based on our analysis of the data, we found, first, that the company’s identity progressed through three distinct phase. In the first phase, the company’s leaders defined Fairphone as social movement that aimed to provoke activism and debate on conflict minerals; in the second phase, Fairphone was conceived as a branded maker of a high-tech smartphone with “social” characteristics; and in the final phase, Fairphone was a “campaigning enterprise,” championing ethical principles by distributing a material artifact. Each conception of identity was associated with different mission statements, conceptions of the product and key stakeholders, these are summarized in Figure 2.

Our second finding concerns the role played by Fairphone’s leaders in shaping the organizational identity. As Fairphone’s staff debated who “who they were” leaders took various steps to subsume power, promote alternative conceptions of identity and elide previous conceptions of identity. For instance, in April 2013, a leadership team crystallized; it excluded all but two of the founding employees (Founder/CEO Van Abel and the company’s Communication Director). Founding employees, it was argued, did not have the requisite experience to run a going hi-tech concern. In July 2013, Fairphone’s Chief Technology Officer (CTO), the only employee with previous smartphone industry experience, deliberately positioned himself as “the pragmatic guy,” “the fresh voice from outside” and convinced his teammates to attach an alternative label to the company: “credible and professional.”

Figure 2—The organizational identities of Fairphone

Phase	Social movement	Branded smartphone maker	Campaigning enterprise”
Conception of role of fair smartphone	An intangible storytelling device	A material branded product	A symbol of political consumption
Mission statement	Create public awareness about unfairness in smartphone industry, mobilize political activism	Produce and market a functional phone with societal benefit	Purchase of phone is a political act, Fairphone leads individuals to question how they consume products
Key stakeholders	Politically motivated citizens	Traditional customers	Customers-activists

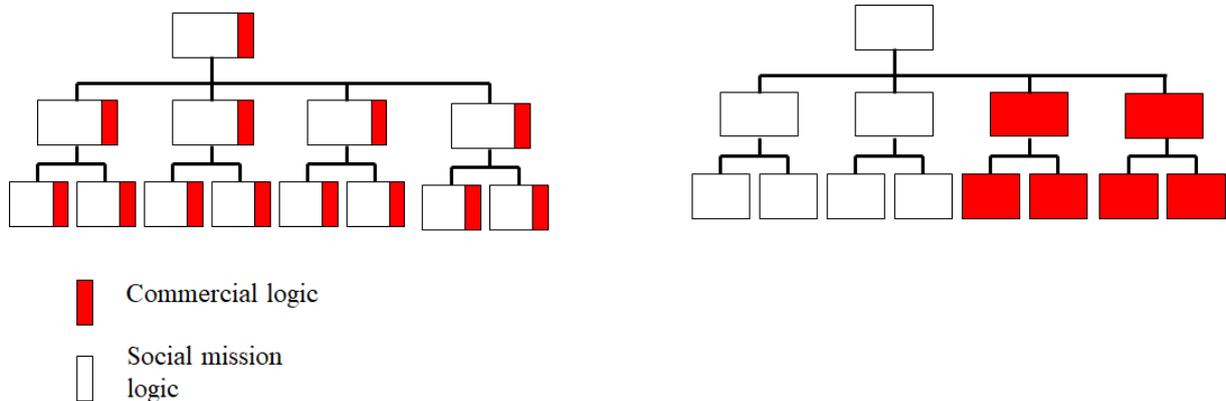
In the latter phase of the study period as Fairphone’s CTO and Communication Director openly clashed because they favored two distinct identities for the organization, the social movement versus the branded smartphone maker identities, Founder/CEO Van Abel took charge of defining the organization’s identity. He discouraged open discussions about “who we are,” by postponing debate to a company-wide Culture Day planned for end 2014. Before the Culture Day Van Abel developed a blueprint for Fairphone’s new organizational identity by reframing and incorporating aspects of its prior social movement and product-led identities into a novel compound framing of Fairphone as a “campaigning enterprise,” an integrated identity. That blue print was subsequently adopted, albeit with resistance, by the organization’s leaders by mid-2015.

Contributions. We make three contributions to research on social enterprises and organizational identity. First, our study is one of the first to examine the emergence of hybrid organizational identity; most scholarship instead of take hybrid identity as a *given*. Second, where researchers traditionally conceive of organizational identity as a cognitive categorization—an idea fixed in people’s heads—or a relatively consensual process that is gradually negotiated among employees of an organization, we offer an alternative conception: organizational identity as a process of character formation where leaders experiment and stretch previous conceptions of identity before settling on hybrid identity as a matter of practical accomplishment. Lastly, previous research has emphasized the sites within social enterprises where tensions over hybridity is negotiated: in the *minds* of employees or structurally between groups within the organization. See Figure 3 for an illustration.

Figure 3—Previous research emphasizes the sites for negotiating hybridity tensions

Left—Employees (boxes) struggle individually with pursuing commercial and social mission of the enterprise. Successful hybridity maintenance requires recruiting the “right” people.

Right—Coherent groups with different identities clash over pursuing commercial and social mission. Successful hybridity maintenance requires ongoing negotiation among groups.



We emphasize neither employee cognition nor organizational structure, but *acts* through which the leader in a nascent enterprise intentionally gives meaning; by force of personal example, the leader may undermine employees’ previous understandings of identity, but does in a way that allows the employees come to terms with a new hybrid organization identity.

MANAGERIAL IMPLICATIONS

When employees identify with their organization’s mission they are more likely to be motivated. Intractable identity based conflict wastes management’s attention and demotivates employees that are necessary to achieve a social enterprise’s commercial and social goals. Our study suggests that an organization identity that meaningfully engages both “idealistic” and “pragmatic” employees does not emerge willy nilly; instead, it involves *active* identity work by leaders. Thus, leaders of social enterprises can build such an identity by tactfully silencing identity-based debates within the office, deferring the resolution of those debates to neutral location (e.g., an offsite meeting location), and ensuring maximum overlap between the company’s commercial and social goals.

REFERENCE

The full reference of the paper is: Cornelissen, J. P., Akemu, O., Jonkman, J. G., & Werner, M. D. (2020). Building character: The formation of a hybrid organizational identity in a social enterprise. *Journal of Management Studies*. (<https://doi.org/10.1111/joms.12640>)

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