

Hybridization as Systemic Innovation: Italian Social Enterprise on the Move

Sara Rago¹, Paolo Venturi²

Abstract

The paper aims at exploring hybrid organisations focusing on experiences originated by Italian social entrepreneurship. Moving from the assumption that social co-ops can be considered as “original” hybrid organisations, the paper aims to understand new forms of hybrid organisations (so called “second generation hybrids”) as result of social innovation paths. In that sense the paper firstly aims to highlight “generative mechanisms” (having exogenous as well as endogenous origins – e.g. the Italian legislative decree n. 179/2012 on start-up enterprises, the promotion of community enterprises, impact investing tools, and so on). Then an additional goal is to point out specific elements to define characteristics of organisational hybrids originated by social co-ops that according to literature on hybrids are: business model, organisational form, leadership style, governance, and financial resources structure. These topics allow to highlight some key elements useful to advise entrepreneurs and policy makers on social innovation promotion and development.

Hybrid organisations recently introduced a new way in doing enterprise. Hybrids are entrepreneurial entities whose main goal is pursuing systemic social improvements (social innovation) through their business. In other terms, they are agents of the so called “systemic innovation”, that is “an interconnected set of innovations, where each one influences the others, with innovation both in the single parts of the system and in the ways in which they are interconnected” whose “benefits can be realized only in conjunction with related, complementary innovations” and “that require significant adjustments in other parts of the business system they are embedded in”. Particularly, in Italy a strong attempt in dealing with social needs to develop well-being and community growth levels is introducing new forms of social entrepreneurship that could be identified within hybridization processes originated by Italian social co-ops (both individually and within networks/consortia).

The paper is firstly based on a literature review on hybrid organisations aimed at pointing out the definition, generative processes, specific elements describing hybrids – business model, organisational form, leadership style, governance, and financial resources structure – at international level. Moreover a database collecting information on 74 hybrid organisations originated from Italian social co-ops (particularly within CGM Co-operative Group) is the second type of resource used. Finally a relevant Italian case study has been developed in order to explore hybridization processes’ characteristics more in depth.

Keywords: *hybrid organisations, social enterprise, social co-operation, innovation, institutional change*

¹ AICCON Research Area, sara.rago@unibo.it

² Director of AICCON, paolo.venturi7@unibo.it

Introduction

The global crisis changed the basis of various institutions at different level. The actual socio-economic scenario is radically changed producing a real structural break. This situation is caused by the combined action of two specific causes (Venturi & Villani, 2010). On the one hand, the increasing difficulty in addressing needs through centralized monetary contributions (pensions, subsidies, minimum income for citizens, and so on) rather than through an adequate provision of services has raised the inadequacy of welfare systems such as the Italian one (and more generally those of Continental Europe) in few years. On the other hand, the increasing differentiation of needs has gradually increased the inefficacy of the standardized responses offered by public entities.

The need of a welfare system change prompts among the actors of society (State, market and civil society) to think different ways of producing added value (for example the “shared value” for the for profit enterprise, or the “marketization” of non-profit organisations having productive functions rather than public institutions tended to the co-production of services and public goods), starting a deep process of institutional changes involving all actors.

This paper is an excerpt from an extensive research (Venturi & Zandonai, 2014) aimed at the observation of responses put in place by the main representative of Italian social entrepreneurship, the social co-operation (and, specifically, the CGM Co-operative Group) answering to the change in the development paradigm and to the current way of production of added value, in particular through hybridization processes.

Starting from the analysis of the international literature on hybrid organisation, the research work has allowed us to highlight the distinctive features of that kind of organisations able to combine both social and economics components through social innovation processes oriented to address social (and environmental) problems with new solutions, and enabling to produce value for the entire society. The full research then wanted to observe from a qualitative and quantitative point of view, the hybrid organisations of the CGM Co-operative Group through a field investigation which has enabled to identify their evolutionary, structural and corporate profile. Finally, the last part of the research analyses some case studies exemplifying the distinctive elements of organisational hybrids generated by the Italian social co-operation.

The paper, as part of the barely mentioned research, aims to analyse and understand the main characteristics of the new forms of hybrid organisations (also called “second generation hybrids”) as a result of social innovation paths. Within this perspective, the paper highlights the characteristics of hybrid organisations born within the social cooperative movement as it emerged from the analysis of international literature on hybrid organisations: business models, organisational structures, leadership style, governance models, the composition of economic and financial resources.

Finally, it will be analysed the “Panecotto®” brand, a project promoted by the consortium “La Città Essenziale” in Matera (Italy) as case study of national relevance on hybrid organisations in order to give empirical evidence of the literature review outputs.

1. Definitional aspects of hybrid organisations

The international literature review on hybrid organisations gives a wide and varied framework as well as numerous perspectives of interpretation. For this reason, the point of view adopted in this work is focused on some elements that specifically highlight references to the world of social cooperation and, more in general, of social entrepreneurship, as well as the areas where hybridization processes are clearer.

Hybrid organisations are defined as actors placed on both sides of the demarcation line between for-profit/non-profit, which reduce this border pursuing a social mission, like non-profit actors, and, at the same time, producing income from commercial activities in order to pursue that mission, in the same way as for-profit enterprises. Usually companies are classified according to two criteria (Grassl, 2012): property, on the one hand, and, on the other, the primarily objective pursued (fig. 1). This classification sharply divides the economic activity into two sectors and considers likewise plausible goals for companies. However, the evolution of the economies enlarged the area of action of private enterprise, including actors with primarily social objectives: the social enterprise, that can be considered within the “hybrid organisation” definition.

		Primary objective	
		Commercial	Social
Ownership	Private	Private Enterprises	Social Enterprises
	Public	Public Enterprises	Public Administration

Fig. 1 – Traditional classification of enterprise forms (Grassl, 2012)

According to the main distinction at literature level on hybrid organisations, the latter can be placed, on the one hand, between the action of the public sphere and the one of non-profit organisations, while, on the other hand, between the action of the private for-profit and non-profit. That classification (fig. 2), also echoed by Säid Business School of Oxford (Nicholls, 2012) is based on the own specifics of the countries in which the hybrid forms are developed, in particular regarding the management of welfare services.

Within the international literature, it is possible to identify at least two leading school of studies: on the one hand, the American and Anglo-Saxon one, more focused on the analysis of hybrid organisation that are positioned between for-profit and non-profit logics. On the other hand, the second one has European origin (with particular reference to the Scandinavian countries, e.g. Sweden) and the focus is on hybrid organisations working between the action of the State and the one of the non-profit organisations. The American *b-corporations*³, *benefit corporations*⁴, and *low profit limited liability companies (L3Cs)*⁵ are part

³ Voluntary Certification for enterprises issues by the non-profit organisation “B Lab”.

⁴ A for-profit legal form which commits to pursue one or more social or public benefit purposes (compulsory specified in the statute), to have in the Board of Director a “benefit” member whose have to guarantee the pursuit of the social mission rather than the profit maximization, as well as being submitted to a process of external certification and to elaborate an annual report which illustrate the actions taken to achieve social objectives.

of the first group of hybrid organisations. In the United Kingdom, instead, there are the *community interest companies (CICs)*, enterprises originated with the aim of pursuing social ends or other activities for the benefit of the community (Department for Business, Innovation & Skills, 2012). Such forms of hybrid organisations have developed in particular in areas like: microfinance, the fight against poverty and related problems, health, economic development, environment, education, housing policy, culture (Battilana & Lee, 2012).

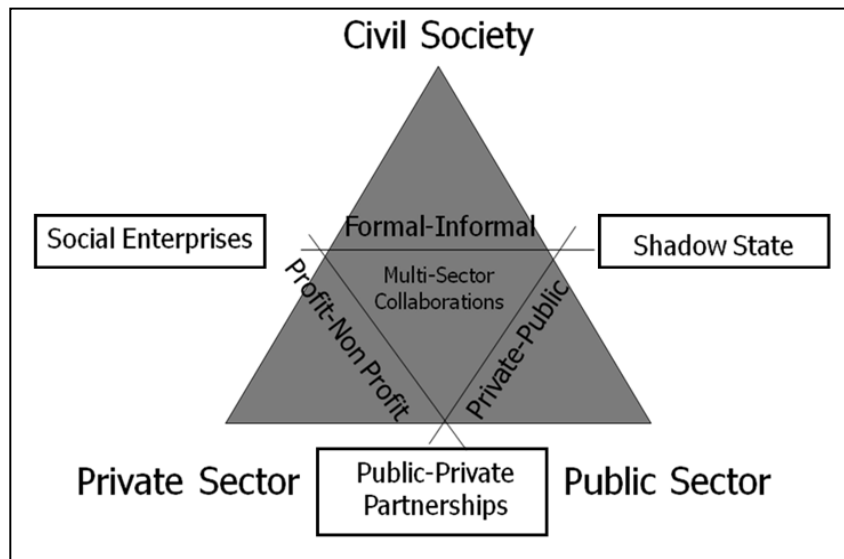


Fig. 2 – The hybridization policies (Nicholls, 2012)

However, considering hybrid organisations positioned between the action of the public sector and that of the non-profit one, Rhodes and Donnelly-Cox (2012) talk about *Third sector hybrid*. With special regard to the European approach to the topic and looking at countries like Sweden, the Netherlands and Germany, hybrid organisations are considered as a coherent and logical step, part of an organisational continuity that sees the Third sector not as a phenomenon in itself, but as an intermediary area closely connected with the action of the State – at various administrative levels – wherewith it shares the aim of public utility of the goods produced and services provided (Evers, 2008; Branden & Karré, 2011). Within the development of new ways of providing social services as well as consequently of a new relationship between the public sector and the private non-profit one, the process of hybridization is a more and more necessary condition due to the demand of democratic processes in building a new inclusive welfare. In fact the latter must be able to start a co-production process seeking the participation of citizens in planning public utility services (Pestoff, 2012). Indeed, the inclusion of citizens in the production process of such services guarantees a welfare state characterized by high levels of quality, truly democratic and capable.

⁵ A Limited Liability Company aimed at carrying out “low profit” activities in order to achieve a philanthropic goal and whose the production of income is not the main objective of the company.

2. Evolutionary processes and generative mechanisms: towards the hybridization of organisations

According to the literature, the origin of hybrid organisations is mainly attributed to two ways of emergence: most often through the evolution and transformation of existing organisations, but also through the creation of new organisational hybrids as a solution to the existence of empty response spaces (Spear, 2011). In particular, it is possible to affirm that new and additional forms of hybridization are derived from the joint action of two orders of forces which occur in synchronous mode. Firstly, the socio-political and socio-economic dynamics characterising the context where the hybrid organisations are placed (hybridization deriving from external, or “exogenous”, evolutionary elements). Nowadays, these dynamics are triggered, or at least strengthened, by the current crisis and are the common element of the hybridization processes of different international models analysed (Aiken, 2010). The second force is the internal emerging needs of the organisation, which feels the need to evolve (also with reference to its life cycle stage), rather than for the presence of innovative elements or certain characteristics of the human capital of the organisation itself (hybridization resulting from internal, or “endogenous”, evolutionary elements).

The process of hybridization resulting from an evolution of external origin is due to both changes of the welfare system and, consequently, to the changes of the service delivery process related to it, as well as to the changes connected with the development of the concept and practice of entrepreneurship, that more and more emphasize the need to restore the social dimension inside the economic one (sometimes even financial), as it was originally.

The differentiation of needs is particularly connected to demographic trends. The aging of the population and the gradual erosion of the working population are phenomena that in the future will have a strong impact on the welfare system. Demographic trends generate also a change in needs of qualitative nature: in particular, it is observed a higher complexity resulting from the increasing importance of non-material aspects of the services and products bought, especially regarding the relational and identity dimension. The evolution of social needs and, consequently, the need of addressing them with welfare services, matches two development trends from an entrepreneurial point of view (and in particular from the social entrepreneurship one) that must be taken into consideration: on the one hand, the growing economy of services and, on the other hand, the industrialization of social services.

Moreover, different ways of generation of hybrid organisations can derive from different exogenous inputs: “top-down”, such as the creation of some forms of hybrid organisations in the UK under the influence of the government policy on health and social care (Cornforth & Spear, 2010), rather than “bottom-up”, like the grass-roots initiatives of the fair trade movement (Huybrechts, 2012).

In addition, the process of hybridization of organisations is also influenced by specific internal dynamics (“endogenous”) (Spear, 2011), often linked to attempts of innovation processes, instead of the presence of particular features that characterise the human capital of the organisation.

As is clearly highlighted in the literature (Haigh & Hoffman, 2012), most of the hybrid organisations has innovative elements of different nature. Among the different types of innovation that can be defined, the Osborne’s classification (Osborne et al., 2008), echoed by Fazzi (2012), identifies four types, two of which can particularly be the key to explain the process of hybridization as they are more efficient in dealing with the changes of our society, as well as with the resulting increasing differentiation of the demand of social needs. On the one hand, there is the so-called “evolutionary” innovation made through the delivery of new services responding to the evolution of classic problems; secondly, the so-called “total” innovation passing

through new ways of action in addressing new social risks (for example, youth unemployment and/or long term unemployment, socially vulnerable people, etc.). Particularly inside the latter form of innovation it is possible to identify the presence of processes of organisational hybridization.

Furthermore, if it is possible to identify inside the dynamics of innovation a strong and fundamental driver for the development of hybrid organisation, likewise is true that the organisations' human capital plays a crucial role in orienting the mission and, as a result, the objectives to be pursued.

3. Distinctive elements of hybrid organizations

Hybrid organisation are responsible of a systemic innovation: a set of interconnected innovations mutually influenced (Mulgan & Leadbeater, 2013), where benefits can only result from their joint action which creates additional and complementary innovations (Chesbrough & Teece, 1996) and that requires significant adjustments inside the entrepreneurial system in which they fit (Maula et al., 2006). In this regard too, hybrid organisations introduce innovative elements in the type of the offer rather than in the beneficiaries reached through their products or services, and also creating new (or mixed) models of governance, funding, leadership as well as organisational structure.

3.1 The business model of hybrid organizations

Even if the literature is not giving an unambiguous definition for business model, one widespread opinion is that the concept indicates “a set of skills organised to facilitate the creation of value useful in pursuing economic and/or social strategic aims” (Seelos & Mair, 2007). Therefore, the business model chosen by an organisation is crucial in the orientation of all its internal activities, as well as of the relationships to be established and the degree of openness to the outside. This consideration leads to define the business model as a tool able to facilitate (or less) the widespread of innovation in the system. Indeed, according to Chesbrough & Rosenbloom (2002), the value of an innovation is latent until is not commercialized, or at least spelled out, and this can only happen through the use of a business model.

At the same time, the relation between the concept of innovation and the business model is also related to the influence that this concept has on the instrument described. In other words, the changes of the society and into the sphere of entrepreneurship drives the organisations to introduce elements of innovation into their business model, sometimes also originating processes of hybridization.

The literature on social entrepreneurship models' design has identified several design schemes that allow to emphasize all the fundamental elements of the social business models: the reference community, the underlying culture, the established collaborations as well as those to carry out, and the content of the activities to be implemented (including the value proposition). As illustrated by Grassl (2012), it is possible to identify at least nine different types of business models (fig. 3), taking into consideration the three classification criteria for the social entrepreneurship: the level of mission orientation, the type of integration between commercial and social activities and the different target of customers/users. Particularly relevant is the “co-operative model” because, as shown in the corresponding part of the figure, it is a model that includes both the social mission and the entrepreneurship dimension, naturally able to create *multistakeholdership* realities.

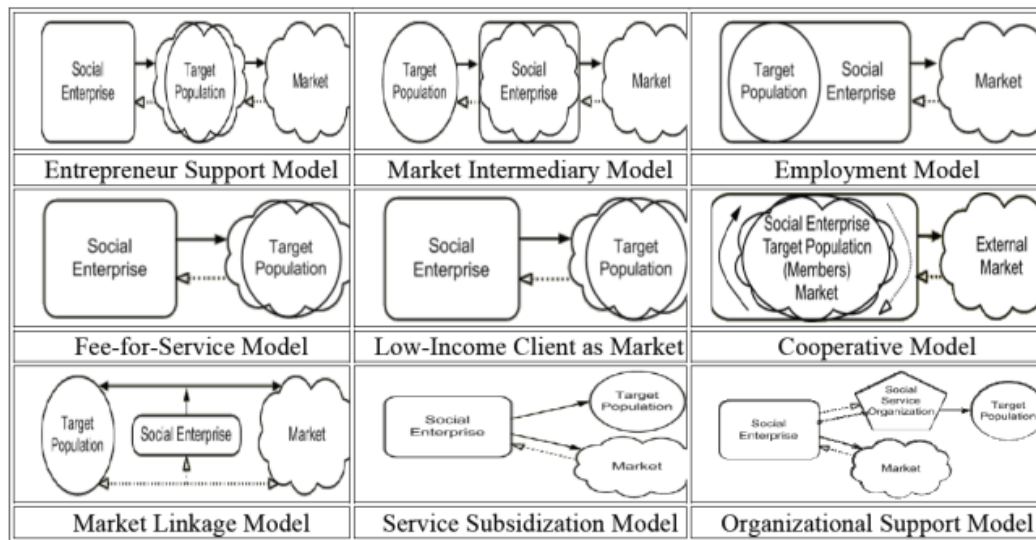


Fig. 3 - Business models for social enterprises (Grassl, 2012)

The business model of hybrid organisations, oriented on pursuing innovation in terms of sustainability and creation of social value (in addition to the economic one) on a systemic level, differs from a relational point of view from the traditional organisations primarily with respect to the three dimensions (fig. 4) (Hoffman et al., 2012). Firstly, the influence exerted by social issues on the organizational objective. The second dimension is related to the relationships with providers, employees, and customers/users, with particular regard to a desire to create mutually beneficial relationships with the stakeholders. Finally, the last dimension refers to the development during the time of the interactions between hybrid organisations and market, competitors, and economic institutions.

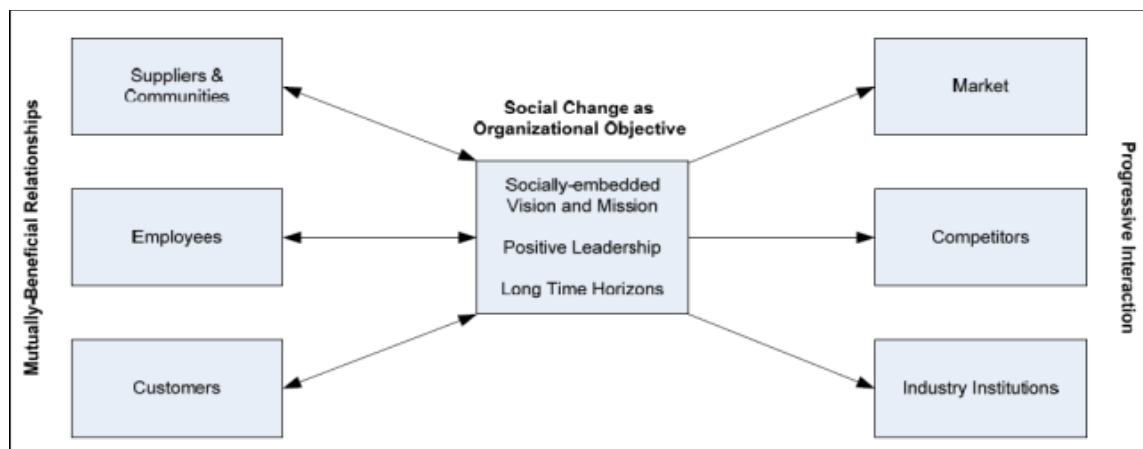


Fig. 4 - A possible business model for hybrid organizations (Hoffman et al., 2012)

3.2. Organizational structure characteristics and leadership styles

The main difficulty of hybrid institutions in terms of structure is their peculiar feature of integration in the same enterprise of both economic-financial and social logics. On the one hand, this allows to collect the benefits of both of them, but at the same time it may also submit to the risk of introducing discordance and

sectarianism inside the organisation. In order to guarantee its sustainability in the future, the hybrid organisation must enforce a process able to create a common identity structure and to balance the combination of different “institutional logics”⁶ existing internally (Battilana & Dorado, 2010; Pache & Santos, 2011). According to Battilana & Dorado (2010), from an organisational point of view dealing with multiple institutional logics could be a challenge due to the potential tensions able to generate conflicts between the components of the organisation representing the different institutional logics.

In order to match the different logics, it is essential to succeed in developing a “virtuous organizational capacity” inside hybrid organisations (Cameron et al., 2004). For this reason, the leadership issue, which is an important aspect in all businesses, also becomes a critical success factor talking about the development of mission and activities of hybrid organisations. In most cases, the leaders of hybrids are characterised by their participatory nature and their ability of evolving the leadership styles (Haigh & Hoffman, 2012). These people represent the strong social values that guide the organisation’s mission and involve them inside of daily and management activities.

The concept of positive leadership (Cameron, 2008; Caza & Cameron, 2009) assumes and applies the virtuous principles derived from the so-called “positive organizational scholarship” (Dutton & Glynn, 2008). It works primarily on four elements: a context able to promote positive feelings such as understanding, tolerance, and gratitude; the ability to pursue objectives that contribute to the well-being of a person and bind to its values, that have a broad impact and contribute to the building-up of the community; bidirectional communication, able to obtain feedback from the interlocutor, and oriented to the concrete support of the activities developed; a network of virtuous relationships allowing the construction of networks and the promotion of the strengths of each.

The main action that is recognized to the leaders of hybrid organizations is the ability to spread a feeling of “trust”, that makes more fluid the activities of the organisations. Trust is an objective relationship that is based on mutual understanding: building up relationships based on trust, and then on those same relationships develop their own business, means being able to converge the resources available to each other towards common objectives that is to “co-operate”. In particular, fostering climate and trust-based relationships within a hybrid organisation it means being able to overcome obstacles, inside and outside the organisation, that come from the intersection of the existing different institutional logics.

⁶ The concept of institutional logic indicates “assumption social systems which contain shared interpretations of valid objectives and the ways how these can be pursued” (Scott, 1994), in other words, “socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton & Ocasio, 1999).

3.3. Governance features of hybrid organizations

Within the hybrid organisations, the concept of governance is strictly relates to the identity one, because the identity influences the relationship between the government bodies and the management (Golden-Biddle & Rao, 1997), taking the possibility of conflicts between the different roles.

Regarding the governance models, on the one hand, it is necessary that the hybrid organisation takes into consideration both traditional aspects linked to the corporate governance and those specific of the non-profit organisations (Propersi, 2011): the different motivations behind the decision making process of government bodies; the different evaluation of government bodies; the lack of the binomial government/property; the different role assumed by the stakeholders.

On the other hand, at the same time the economic dimension should not be overlooked. Thus, the achievement of the solidarity goal must be balanced by a correct evaluation of the available resources with a consequent representation in terms of governance.

The multistakeholder governance that characterises hybrid organisations is implemented since the identification of the key partners in the process of business model design, that are – together with customers/users – part of the network of relationships wherewith the hybrid organisation has to confront and whose interests should be represented. The presence of different categories of stakeholders coming from different spheres of action and, therefore, representing the different “souls” of a hybrid organisation means to take into account different point of views and expectations about the objectives that the organisation has to pursue and the priorities to deal with. This situation may lead to contradictory challenges for the management.

At the level of the organisation’s structure, an important strategy to engage the hybridization process can be the split between the commercial activities and those related to the social mission of the organization. To achieve this objective, the organisation have to implement more complex forms of governance, or rather multi-level structures composed by primary and secondary government bodies (Cornforth & Spear, 2010; Cornforth, 2012), otherwise, models of network governance (Anheier, 2011; Andersson, 2012).

In order to allow the proper functioning of the hybrid organization, what is important in terms of governance is to ensure a good degree of coordination between the different levels oriented to pursue a shared mission. Therefore, only taking on this perspective will be possible to combine the three dimensions that characterise the government activities (Propersi, 2011): the strategic dimension that identify the strategies for growth and development of the organisation; the structure dimension, or as a guide and coordination of management bodies and, consequently, of the whole organization; the policy dimension or the coordination of the organisation’s purposes to ensure the continuity of the action taking place with the satisfaction of the stakeholders expectations.

3.4. Economical and financial resources of hybrid organizations

Concerning the economic and financial resources, the challenge for the hybrids is to be able to balance the financing derived from donations and those of other natures, traditionally more oriented to finance the business activities (Haigh & Hoffman, 2012).

Thus, a hybrid organisation may have a plurality of economic resources, among which those deriving from the sale of products/services to customers/users or from public subsidies related to their social mission,

rather than by private donations. Against the existing difficulties in obtaining finance of those organisations dealing with social issues, hybrid organisations can rely on a range of sources of different nature (fig. 5): grant, which is the traditional form of donation; debt, that is an investment in the form of loans; equity, as financial products and form of investment whose give shares of the organisation in return for an investment on capital. The literature has also underlined that the majority of hybrid organizations is financed through “patient capital” (Boyd et al., 2009; Haigh & Hoffman, 2012), typically in the form of investments structured to guarantee the necessary time for the organisation development and growth. This approach is coherent with the timeline of the hybrid organisation or rather, in most cases, a medium-long term perspective (Haigh & Hoffman, 2012).

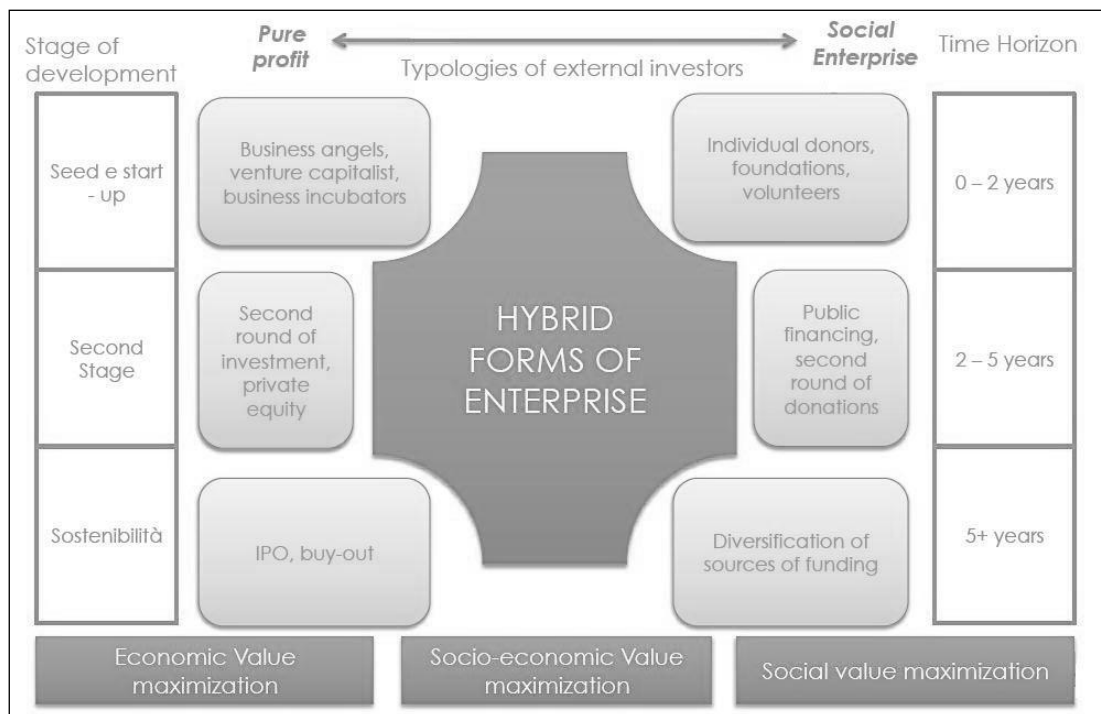


Fig. 5 - Financial resources for hybrid organisations (Cusumano & Spano, 2012)

4. Main features of hybrid organisation generated by the CGM Co-operative Group

The analysis managed on organisational hybrids generated by the CGM Co-operative Group confirmed evidences emerged from the international literature review pointed out both quantitative and qualitative aspects.

Particularly, it's about 74 *newco* working in 16 Italian regions (mainly in the Northern Italy). Their development is strictly connected with the presence of well-structured consortia on the same area. They generate a production value equal to more than 50 million euros⁷ and they are oriented to the investments for a gross amount equal to 38 million euros in 2012.

⁷ Data based on information collected from 41 of 74 hybrid organisation.

The new generation of hybrid organisations is composed by a 35% of start-up and by a 42% of organisations at the “development” stage. In addition, the majority of the sample works at local level.

Consortia and co-operatives are the main (65%) legal form chosen by hybrid organisations. The remaining part (equal to 1/3 of the total) is divided in two sub-groups. A first one is represented by legal models that, even if they are not formally cooperatives, adopt the social enterprise status. Moreover, there is a group of hybrid organisations (7 units equal to 10% of the total and to the 40% of non-co-operative entities) that are social enterprises according to the Italian law n. 118/2005 and the legislative decree n. 155/2006 and choose a commercial legal form (e.g. limited liability company or joint-stock company) suited to law restrictions.

Additionally there is a group of hybrids composed by different legal forms as foundation (5 units) as well as for profit companies that have not acquire a social status (6 units).

Almost 1/3 of the sample works within health sector. Secondly a substantial group of hybrid organisations acts within the working integration of disadvantaged people, while a third group in social tourism and in the production of cultural and recreational services.

5. Case Study: The Consortium “La Città Essenziale” and the Panecotto ® brand

5.1. Methodological approach for the realization of the case study

The last part of this work aims to empirically verify what emerged from the literature review. For this reason, in the following paragraph a case study selected from the examples of hybrid organizations identified within the CGM Co-operative Group will be described.

The analysis of the case study described was carried out using two main sources:

- a. direct interviews to members of the Board of Directors;
- b. collection of secondary materials, such as last annual financial statements or business plans with project budgets, social budgets, development plans.

The interviews have been conducted according to a scheme based on structured guidelines. This instrument, built “ad hoc” starting from the distinctive elements that emerged from the literature, focus on 5 aspects of observation:

1. generative factors;
2. governance;
3. economic and financial resources;
4. business models;
5. organisational structure and leadership.

These aspects have been further declined in dimensions of analysis and related indicators and then spelled out through questions submitted to the interviewed.

The output of data collection has been processed and synthesised in a qualitative summary sheet, structured to highlight the peculiar elements in terms of innovation and hybridization of the case study observed, as well as supported by a box containing the main quantitative data relating to the experience analysed.

5.2. The brand “Panecotto®” and the Consortium “La Città Essenziale”

The brand “Panecotto®”⁸ was founded in 2011 with the aim to activate a local development model to give value to the resources of the Basilicata, an Italian Region. The brand, promoted by the Consortium “La Città Essenziale” of Matera, has been implemented through a franchising system, selected as tool for structuring the whole network of the project, based on the launch of new and innovative distribution channels.

Thanks to the involvement of numerous local entrepreneurs, the entrepreneurial project “Panecotto®”, that is still evolving, was designed as a meeting place: not only just a tasting area, or a restaurant, even less a bar or a cultural café, but a piece of territory “to be lived” in other parts of Italy and worldwide.

Starting from the opportunities of the territory and considering how the Basilicata Region has recently strongly focused on tourism and production of quality products, the overall brand “Panecotto®” has been designed bringing together 3 supply chains:

1. the one of quality food and wine;
2. the one of tourism;
3. the one of handicraft.

The main peculiarity of the project is that the economic resources result from the management of activities belonging to these sectors will be entirely used for the development of social activities (home services for the elderly and children, as well as day care centres of different areas of Basilicata).

5.3. Elements of innovation and organizational hybridization

The willingness to carry out activities others than those indicated in the law N. 381/91 on social co-operation drove the Consortium “La Città Essenziale” to start-up “So.Economy Srl”, a limited liability company with a single shareholder (the Consortium “La Città Essenziale”), whose principal activity is to develop all the commercial actions that social co-operatives, by their nature, cannot do.

From September 2013, the company manage the “Panecotto ® Store” in Matera, through a business transfer; in addition, it also manages the company branch related to the project in the energy sector (“Energia Solidale”, literally Solidal Energy) and the one related to the field of social tourism (“Panecotto ® Experience”).

Regarding the involvement in the governance of the entrepreneurial project of stakeholders other than the social co-operatives of the Consortium “La Città Essenziale”, it should be noted that, in a first phase of sharing the entrepreneurial idea there was a feeling of distrust related to the fact that for the first time the local social cooperation could be the protagonist in non-traditional operating areas. This problem has been tackled by searching and finding the appropriate conditions through a participatory discussion process. Following this approach, it was possible to overcome the initial barriers and enrich the process of standardization of the project thanks to the suggestions of those members of the Consortium with more experience on the topic.

Furthermore, the choice of enterprises included in the project was an operation conducted with extreme attention and care. First of all, was carried out a research on the productions of Basilicata, followed by a selection based on certain criteria that must respond not only to aspects concerning the production, that is to

⁸ www.panecotto.it

say to comply with the authorization rules, but also those related to the respect of workers' rights (for example, the regularity of the work contracts). In this way the project values those enterprises which at the same time respect the rules and are more inclusive in terms of human capital.

Moreover, the characteristic of the governance of the business project "Panecotto®" is its great ability in building a network including the key actors of the area. For example, the Chamber of Commerce is strongly embracing the project for the valorisation of typical products, as well as the municipality and the Province. The business project, in fact, even if on the one hand aim the autonomy from the public sector in terms of economic resources, on the other hand wants to reinforce as much as possible the relationship with all the categories of stakeholders presents on the territory.

In regard to the marketing strategy, the interest shown for the business project "Panecotto ®" also in other territories, particularly from the other consortia of the CGM network, caused the re-thinking of the operating mode, basing a standardization of the project itself. Indeed, if on the one hand, they started with the promotion of local products of Basilicata, from autumn 2013 is started the standardization process of "Panecotto®" with the objective of develop it not only at local, but also at extra-regional level (for example, "Panecotto®" Campania, "Panecotto®" Puglia, etc.), with direct management of other local consortia. In this scenario, the experience of Basilicata functions both as a mentor and as support of start-ups. To the consortia interested on replicating the "Panecotto®" business model, the brand will be transfer without franchising costs. In this way, the cost structure for the start-ups will be lighter for those consortia who intend to pursue this path.

From the point of view of the communication strategy, an agreement has been signed with a local TV channel that broadcasts digitally in Puglia, Basilicata and Molise, and the communication plan of the project "Panecotto®" has been written in a participatory way with the aim to attain the maximization of the brand value, but at the same time, of the individual partners of the network (social co-operatives, local entrepreneurs, etc.).

Another useful commercial instrument for all actors is the so-called "Gusto Card" (literally "Taste Card"): a fidelity card that allows the exchange of services among the network. "Gusto Card" is not only a classic fidelity card that uses the system of collection points, but rather it has been designed as an instrument that give to all the partners of "Panecotto®" the opportunity to cross their customers, increasing their commercial potential. In fact, the goal is to value also those services offered to a private demand. For example: a traditional hotel, which is typically not equipped to respond to the needs of a social demand, such as giving hospitality to a person who has to go – even on vacation – in hospital for a dialysis treatment once a week, can provide this service in co-operation with one of the social co-operatives members of the Consortium "La Città Essenziale". In this way, it creates a "win-win" system of integrated supply where there is an increase in visibility of services for both private and social co-operatives.

The structural model underlying the marketing of quality products "Panecotto®" provides, in fact, a combined contribution in terms of production by:

- a. social co-operatives for work integration;
- b. small local producers which previously were not able to take advantage of the economic resources necessary to promote their products (costs of marketing, advertising, etc.).

Nowadays, the business project involves a group of over 35 producers including work integration social co-operatives and small local enterprises. Thanks to this aggregation was possible to form a food and wine basket of 70 references. Furthermore, in terms of human resources, "Panecotto®" has its own management, a marketing and communications manager, a person in charge for the set up and management

of the “Panecotto®” network and a sales manager. As previously mentioned, the specificity of “Panecotto®” is the design and the implementation of a mechanism that allows the fully investment of “So.Economy” profits in services for co-operatives and communities. According to this objective, the Consortium, as the promoter, has been facing problems regarding its economic structure; finding a legal form which could redistribute profit, that could have as only member the Consortium itself and that could ensure the future continuity of the original goal. Consequently, the statute of the limited liability company “So.Economy” is structured defining the way that will ensure the financial consolidation, so all resources can be transferred to social co-operatives and to the Consortium without burdens, even in terms of taxation.

Starting from the awareness of the need to offset the cutting of economic resources by the public sector, “Panecotto®” project in its first year had a turnover of 170,000 euros, exceeding the original three-year target planned. The organization has already reached two important economic objectives: on the one hand, the increase in the sales of products of type B social co-operatives and 10% of that of the small producers, allowing even among a development of those productions that previously could not be substantially promoted individually; on the other hand, the finding of additional financial resources. All the “Panecotto®” commercial division, in fact, will produce economic resources to be reinvested in services through fund raising actions in the private market.

Instead, the social capital of “So.Economy” amount to 20,000 euros and it was fully paid up by “La Città Essenziale”. The organisation does not exclude the possibility of involving other private entities, not only as shareholders, but rather in their active participation. The detailed rules regarding the way of participation are currently in the planning stage, but probably will decide to give economic resources to the company for specific projects.

The project idea and its whole implementation are clear examples of a hybridization process. In fact, the project has two entrepreneurial “souls”: firstly, the social co-operatives of work integration members of the Consortium “La Città Essenziale” and, secondly, the small local producers; together they rise to a network of entities on which the project is based.

Moreover, another element of hybridization is the project management by a limited liability company (“So.Economy”) with an only member (Consortium “La Città Essenziale”) that reinvests profits in social projects where is involved the social co-operation.

Finally, the process of hybridization is also evident in the strategic skills required by the entrepreneurial project (marketing and communication manager, one person in charge in the set up and management of “Panecotto®” network, and one commercial figure), competences usually do not developed by social co-operation.

5.4. Generative mechanisms

The Consortium “La Città Essenziale” works primarily in the province of Matera (Basilicata Region), has 29 co-operatives members, which employ about 500 people. Its main function is to be a general contractor in relation to the social co-operatives working in the area of social care and health services.

Over recent years, “La Città Essenziale” started to stimulate its social co-operatives towards a more entrepreneurial approach in order to increase their service provision opening to the private market. This transformation is occurring in areas other than those related to standard services, such as private home care, rather than nursing or personalized family services on individual demand (for example, day nursery).

This necessity arose from the relevant problem – particularly obvious since a couple of years – of the cut in the public spending: the default of the public resources causes the necessity to come up new ways to

attract resources. For this reason, the Consortium decided, on the one hand, to focus on family services (for examples, agreement with the pharmaceutical system, activation of one-branch called "Small shop of services" addressed directly to the families, etc.); secondly, to look for new resources deriving from new channels either then the social co-operation ones. In this perspective, the Consortium began two different actions: the first one is linked to "energy" issue, where "La Città Essenziale" launched a technical staff that looking for places for the installation of solar panels, as well as other forms of renewable energy. The uniqueness of this activity lies in the fact that all the resources obtained will be poured back to the social base of the Consortium.

In addition, the economic sustainability of the Consortium, whose turnover in 2012 amounted to € 4 million (with an aggregation of 12 million euro) is based on general contractor activities related to tenders (containing 3% delivered to the Consortium for the coordination and the management of services) and on annual membership fees. In 2013, thanks to the resources result from the energy sector, the social co-operatives members of the Consortium have been relieved of all the fee contributions.

Based on this experience has been implemented the project "Energia Solidale" (literally "Solidal Energy), thanks to an agreement with a worker co-operative which installs photovoltaic systems. For example, on every 3 kW photovoltaic system for families, the Consortium is able to provide 15 hours of care for free. Thanks to the partnership with the municipality, the social services identifies elderly people to assist with the service provided, which customer become "La Città Essenziale". A first evaluation of the project underlined that form the activities carried out have accumulated about 10 thousand euro of resources, which will be fully reinvested, relieving the cost to the elderly and the municipality.

5.5. The role of the co-operation movement

Social cooperation, particularly that relating to the Consortium "La Città Essenziale", and, more generally, to the CGM Co-operative Group network, has an essential role in the business project. In particular, from the experience of local social co-operation in the form of a consortium starts the need of developing new field of action which expresses and experiments additional forms of entrepreneurship. Moreover, the same realization of the project includes the world of social co-operation as an active part of the production offer, as well as the project management (also through monitoring of "So.Economy"), highlighting elements of inclusion and participation, which traditionally delineate the *modus operandi* of this entrepreneurial basin.

It is also fundamental the role – effective and potential – in the diffusion of the experience for its designing and replication at extra-regional level through the CGM Co-operative Group consortia network of co-operative. Over recent years, in fact, CGM has demonstrated a strong focus on the development of the potential growth of its members, also encouraging a change of thought with respect to the link with public authority and to a development towards a greater entrepreneurship.

Conclusions

The analysis of the just described case study – together with the additional case studies developed in the more extensive research work⁹ (Venturi & Zandonai, 2014) has allowed to identify in the field the distinctive characteristics of hybrid organisation that emerged from the literature.

Summarizing these aspects, the first that stands out is certainly linked to the origin of hybrid organizational observed. In fact, they arise from the so-called disruptive innovation processes, that means the introduction of “breaking” elements by the promoters of the new entrepreneurial projects. Specifically, it’s about systemic innovation, as defined in third paragraph, which includes the whole of the modus operandi of the new entrepreneurial project. Even if in continuity respect the “traditional” social cooperation, it wants to break the patterns that until now have greater gone, in order to put into action innovative practices of social entrepreneurship, which leads to the generation of the so-called “second generation hybrids”.

Moreover, another distinctive element is related to the ability to put the community as the main stakeholder, at the centre of the action (“Community focus” entrepreneurial projects). The attempt to respond to the new needs expressed by the referential community meets with innovative and hybrid response from promoters that refer to social co-operation. Thus, social co-operation has been able to reinvent itself and broaden the spectrum of tools in response to the advancement of demand for goods and public utility services becoming more widespread and diversified.

This involves, at the same time, one strong existence influence of multistakeholder logic within hybrid organizations: precisely because in most of cases, the new business projects arise from the value of several promoters and involve a plurality of realities belonging to different spheres of action, the social basis and, more generally, stakeholders in respect of the new hybrid activities.

Another distinctive feature is the market orientation of new business projects (marketization): one of the reasons that can be traced back to their origins, in fact, is precisely that of a weakened rope that - too often in recent years- held Italian social co-operation in the public sphere as a major customer for its services and, consequently, to the delay of its payments. Being on the market brings, certainly, the difficulty in terms of competition with other entrepreneurial subjects (for-profit or not), but especially the opportunity to show that the effectiveness of the services provided should be guaranteed, both in terms of quality and "sociality" of services, equal to the efficiency.

The attention to quality and social value of the product is closely linked to a further characteristic of the hybrid organisation: organisations “capital locked in”. In other words their capital is limited to the exclusive maximization of hybrid activities to be implemented, used with the aim of increasing the effectiveness of the business project. The peculiarity of these business models is that heritage is an asset unavailable for the shareholders, but crucial for the community and the business plan.

This is translated in the ability to build new business models of welfare services delivery with particular attention to the job creation, a widespread problem in our society and principal cause of the increase of the vulnerability levels. Even during the crisis, social co-operation has at least maintained its employment levels demonstrating a strong resilience capacity; new hybrid business projects arising from it are not far behind.

⁹ The complete research project analysed other five case studies: Coop. Soc Ecoliving Social Enterprise, project “L’Apebianca” Forlì; Consortium Isosan, Teramo; Welfare Bergamo Srl, San Pellegrino Terme and Gorlago; Maison du Monde Social Enterprise S.r.l., Milan; Ser.En.A. S.r.l., Lucca.

References

- Aiken, M., 2010. Social Enterprises: Challenges From The Field. In: D. Billis, ed. *Hybrid Organizations and the Third Sector: Challenges for Practice, Theory and Policy*. Basingstoke: Palgrave Macmillan, pp. 153-174.
- Andersson, F., 2012. *New Frontiers and Critical Questions: Moving Governance Research Forward*. [Online]
Available at: <http://www.nonprofitquarterly.org/governancevoice/21614-new-frontiers-and-critical-questions-moving-governance-research-forward.html#.UQew52dDIXU>
[Accessed 10 January 2013].
- Anheier, H., 2011. *Governance and Leadership in Hybrid Organizations. Comparative and Interdisciplinary perspectives*. [Online]
Available at: https://www.csi.uni-heidelberg.de/Hybridity_Symposium/Hybridity%20Symposium_Background%20Paper.pdf
[Accessed 15 December 2012].
- Battilana, J. & Dorado, S., 2010. Building Sustainable Hybrid Organizations: the Case of Commercial Microfinance Organizations. *Academy of Management Journal*, 53(6), pp. 1419-1440.
- Battilana, J. & Lee, M., 2012. *It Takes a Village to Raise an Entrepreneur*. [Online]
Available at: http://blogs.hbr.org/cs/2012/05/social_entrepreneurship_has_ev.html
[Accessed 15 January 2013].
- Boyd, B. et al., 2009. *Hybrid Organizations: New Business Models for Environmental Leadership*. Sheffield: Greenleaf Publishing.
- Brandsen, T. & Karré, P., 2011. Hybrid Organizations: No Cause for Concern?. *International Journal of Public Administration*, 34(13), pp. 827-836.
- Cameron, K., 2008. *Positive Leadership: Strategies for Extraordinary Performance*. San Francisco: Berrett-Koehler Publishers.
- Cameron, K., Bright, D. & Caza, A., 2004. Exploring the relationships between organizational virtuousness and performance. *American Behavioral Scientist*, 47(6), pp. 766-790.
- Caza, A. & Cameron, K., 2009. Positive Organizational Scholarship: What Does It Achieve?. In: S. Clegg & C. Cooper, eds. *The SAGE Handbook of Macro-Organizational Behavior. Volume 2: Macro Approaches*. London: SAGE, pp. 99-115.

- Chesbrough, H. & Rosenbloom, R., 2002. The role of the business model in capturing value from innovation: evidence from Xerox Corporation's technology spin-off companies. *Industrial and Corporate Change*, 11(3), pp. 529-555.
- Chesbrough, H. & Teece, D., 1996. When is Virtual Virtuous? Organising for innovation. *Harvard Business Review*, 74(1), pp. 65-73.
- Conforth, C., 2012. Nonprofit Governance Research: Limitations of the Focus on Boards and Suggestions for New Directions. *Nonprofit and Voluntary Sector Quarterly*, 41(6), pp. 1116-1135.
- Cornforth, C. & Spear, R., 2010. The governance of Hybrid Organizations. In: D. Billis, ed. *Hybrid Organizations in the Third Sector: Challenges of Practice, Policy and Theory*. Basingstoke: Palgrave Macmillan, pp. 70-90.
- Cusumano, N. & Spano, P., 2012. *Financing the social enterprise*. In: ISEDE-NET eds. *Placing Value on Social Enterprise. Final Report of the WP5 Action. Development of innovative financial tools for social enterprise*. [Online]
Available at: <http://www.southeast-europe.net/document.cmt?id=198>
[Accessed 30 January 2013].
- Department for Business, Innovation & Skills, 2012. *Office of the Regulator of Community Interest Companies: information and guidance notes*. [Online]
Available at: <http://www.bis.gov.uk/cicregulator/guidance>
[Accessed 25 January 2013].
- Dutton, J. & Glynn, M., 2008. Positive Organizational Scholarship. In: J. Barling & C. Cooper, eds. *The SAGE Handbook of Organizational Behavior: Volume One: Micro Approaches*. London: SAGE, pp. 693-711.
- Evers, A., 2008. Hybrid organisations. Background, concepts, challenges. In: S. Osborne, ed. *The Third Sector in Europe. Prospects and challenges*. London & New York: Routledge, pp. 279-291.
- Fazzi, L., 2012. I percorsi dell'innovazione nelle cooperative sociali. In: P. Venturi & F. Zandonai, eds. *II Rapporto Iris Network. L'impresa sociale in Italia: pluralità dei modelli e contributo alla ripresa*. Milano: AltrEconomia Edizioni, pp. 153-180.
- Golden-Biddle, K. & Rao, H., 1997. Breaches in the Boardroom: Organizational Identity and Conflicts of Commitment in a Nonprofit Organization. *Organization Science*, 8(6), pp. 593-611.
- Grassl, W., 2012. Business Models of Social Enterprise: A Design Approach to Hybridity. *ACNR Journal of Entrepreneurship Perspectives*, 1(1), pp. 37-60.
- Haigh, N. & Hoffman, A., 2012. Hybrid organizations: the next chapter of sustainable business. *Organizational Dynamics*, 41(2), pp. 126-134.
- Hoffman, A., Badiane, K. & Haigh, N., 2012. Hybrid organizations as Agent of Positive Social Change: Bridging the For-Profit & Non-Profit Divide. In: K. Biddle & J. Dutton, eds. *Using a Positive Lens to*

Explore Social Change and Organizations: Building a Theoretical and Research Foundation. London & New York: Routledge, pp. 131-153.

Huybrechts, B., 2012. *Fair Trade Organizations and Social Enterprise Social Innovation through Hybrid Organization Models.* London & New York: Routledge.

Maula, M., Keil, T. & Salmenkaita, J.-P., 2006. Open Innovation in Systemic Innovation Contexts. In: H. Chesbrough, W. Vanhaverbeke & J. West, a cura di *Open Innovation: Researching a New Paradigm.* Oxford: Oxford University Press, pp. 241-257.

Mulgan, G. & Leadbeater, C., 2013. *Systemic Innovation.* [Online]
Available at: http://www.nesta.org.uk/library/documents/Systems_innovation_discussion_paper.pdf
[Accessed 3 February 2013].

Nicholls, A., 2012. *The Politics of Social Entrepreneurship: Power and Social Change in International Contexts.* Presented at the 4th International Social Innovation Research Conference, Birmingham, 12-14 September.

Osborne, S., Chew, C. & McLaughlin, K., 2008. The innovative capacity of voluntary organizations and the provision of public services: a longitudinal approach. *Public Management Review*, 10(1), pp. 51-70.

Pache, A. & Santos, F., 2011. Inside the hybrid organization: an organizational level view of responses to conflicting institutional demands. *Research Center ESSEC Working Paper*, 11001(February).

Pestoff, V., 2012. Hybrid Tendencies in Consumer Co-operatives: the case of Sweden. In: D. McDonnell & E. Macknight, eds. *The Co-operative Model in practice: International perspectives.* Glasgow: Co-operative Education Trust.

Propersi, A., 2011. Governance, rendicontazione e fonti di finanziamento degli enti non profit. In: S. Zamagni, ed. *Libro bianco sul Terzo settore.* Bologna: Il Mulino.

Rhodes, M. & Donnelly-Cox, G., 2012. *Social Entrepreneurship and Hybridity in Social Housing in Ireland.* Presented at 4th International Social Innovation Research Conference. Birmingham, 12-14 September.

Scott, W., 1994. Institutions and Organizations: Toward a Theoretical Synthesis. In: W. Scott & J. Meyer, eds. *Institutional Environments and Organizations: Structural Complexity and Individualism.* Thousand Oaks: Sage, pp. 55-79.

Seelos, C. & Mair, J., 2007. Profitable business models and market creation in the context of deep poverty: a strategic view. *Academy of Management Perspectives*, 21(4), pp. 49-63.

Spear, R., 2011. *Co-operative Hybrids.* s.l.:Conference of Research Committee of the International Co-operative Alliance, 2-4 September.

Thorton, P. & Ocasio, W., 1999. Institutional logics and the historical contingency of power in organizations: Executive succession in the higher education publishing industry, 1958–1990. *American Journal of Sociology*, Volume 105, p. 801–843.

Venturi, P. & Villani, R., 2010. *Nuovo welfare e valore aggiunto dell'economia sociale*. [Online]
Available at: <http://www.aiccon.it>
[Accessed 8 November 2011].

Venturi, P. & Zandonai, F. eds., 2014. *Ibridi organizzativi. L'innovazione sociale generata dal Gruppo cooperativo CGM*. Bologna: Il Mulino.