

# Hybrids and Competing Logics: *Observant Dispassion Is Called For*

by Fredrik O. Andersson and Brent Never

There is concern that the sectoral and organizational hybridization touted by many as the solution to any number of social challenges may lead to a “muddy middle,” where it will be hard to distinguish between, for instance, a nonprofit and a business venture.

If we look at how different sector logics interact and compete for control, this will allow for dispassionate observance of the mixing of institutional logics, so that we “stay open to the challenges” but “awake to unanticipated consequences.”

**A**S WE SEEK TO UNDERSTAND THE COMPLEX STRUCTURES and processes of our community, it is common to categorize society into various sectors. One such categorization differentiates between the public, for-profit, and nonprofit sectors. While no macro classification is perfect and must be handled with care, the three-sector notion draws attention to the idea that public agencies, firms, and nonprofit organizations are not identical entities sharing the same goals, means, and environs. Accordingly, we have specialized scholars and practitioners attempting to distill, analyze, and explain the unique essence of each sector, and today students can choose from a smorgasbord of educational opportunities depending on whether they seek a career in public, business, or nonprofit administration and management.

Although many find it feasible and practical to differentiate public agencies, for-profits, and nonprofits from one another, the environment in which these organizations operate has shifted in recent

decades. The stability, consistency, and rationality of the industrial society has been replaced by a knowledge society characterized by rapid, frequent, and often unexpected changes, immense diversity, uncertainty, and stiffened competition. This new economy is built on speed, creativity, and innovation, and the message to organizations is that to succeed and survive they must be willing to continually change and adopt novel approaches. One way to insert novelty is to look to and adopt ideas, methods, language, and knowledge from the other sectors. For example, there have been calls for government agencies to be more “entrepreneurial,” nonprofits to be more “businesslike,” and firms to be more “social.” As a result, we have witnessed a steadily growing focus on and interest in concepts such as new public management, social entrepreneurship, and social enterprise.

There are different ways to interpret this development of sectoral and organizational hybridization. Some praise it as the solution to new or persistent social problems; some worry it can have adverse effects, diluting or undermining the unique value created within each sector; and some foresee greater homogenization, thus creating a muddy middle where it is increasingly difficult to separate, for example, a nonprofit from a business

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enterprise. It is not the purpose of this article to discuss and assess whether hybridization is good, bad, or desirable but rather offer a way to frame it.

There is plenty of ambiguity associated with defining and operationalizing hybrid organizations and sector hybridization. Some efforts stress legal form as a defining characteristic (for example, L3C or benefit organization), while others concentrate on the goals or means by which those goals are accomplished. We believe one useful lens for approaching this topic is institutional logics.

### Defining Institutional Logics

Institutional logics can be described as the organizing principles for a particular sector or organizational community. In other words, they are the compass guiding a community of actors held together by their mutually shared values and associated practices. Typically there are dominant institutional logics governing a particular organizational community, as noted by Patricia Thornton: “Institutional logics, once they become dominant, affect the decision of organizations [. . .] by focusing the attention of executives toward the set of issues and solutions that are consistent with the dominant logic and away from those issues and solutions that are not.”<sup>1</sup> Since institutional logics steer and direct behavior of organizational actors, understanding these logics can also help define a sector or organizational field.

Furthermore, logics serve to help organizations understand a complex and dynamic world. One may even argue that as the pace of change increases—partly pushed by the rush of information that can inundate managers—there is a greater need for institutional logics to sort important information from that which can be discarded. More importantly, logics are also the normative lens on organizational action—not only helping managers to understand what is *possible* but also helping them to understand what is *permissible*. For instance, a popular belief is that we judge nonprofit organizations on their impact, or even their sound financial acumen, yet nonprofits are also judged on their fit with peer organizations. Institutional logics are a guide to understanding this fit. Finally, logics also help us to understand institutional and sectoral change, as new logics can emerge within

a community and become dominant.<sup>2</sup> Thus, institutional logics offer one way to comprehend hybridization by examining how different sector logics interact and compete for control.

### Public, For-Profit, and Nonprofit Sector Logics

The traditional logics associated with the public sector involve, not surprisingly, significant political dimensions such as social equity, issues of majority rule-minority rights, democratic and participatory administration, and the commitment to the effective and equitable provision of public services. More specifically, since the somewhat mythical founding of modern public administration by Woodrow Wilson in 1887, perhaps the essential logic of a modern public sector has been bureaucracy. Wilson’s work was written in an era of political corruption and graft, and thus bureaucracy was a positive term and logic that engendered concepts of impartiality, efficiency, and merit. Even though the bureaucratic logic has been immensely scrutinized over the years, it maintains a strong hold in the public sector. A second logic that dominates the public sector concerns control, with Americans preferring some aspect of democratic control in how their services are governed. Control can come through the ballot box, through the action of elected representatives, or through the media. The logic of control can conflict with the logic of bureaucracy, in some senses creating a “no-win” situation for public-sector leaders.

The for-profit sector works almost entirely within the logic of the market, which entails an emphasis on competition, economic value creation/returns, and entrepreneurialism. Businesses are expected to make (and are commended for making) choices that increase their size, profitability, or ability to scale in the future. Within this logic there is great freedom to innovate, so long as the innovation does not overtly violate society’s understanding of fairness. Fairness is codified in formal laws and rules yet does not have a perfect one-to-one overlap: businesses that have violated laws can escape public criticism if the illegal behavior is interpreted as justified or merely the action of an overzealous individual pursuing the market logic.

The highly diverse nonprofit sector consists of a series of defining logics. First, there is a logic

rooted in selflessness, altruism, and noncoercion, expressed via activities such as charity, philanthropy, and volunteerism. These activities are closely intertwined with the sector's instrumental rationale as the provider and contributor of social goods and services to national and regional life. A second logic defining the nonprofit sector reflects its role as a generator and sustainer of social capital, i.e., the glue or bond of trust and reciprocity that appears essential for an effectively functioning market and democratic society. As stated by Elaine Backman and Steven Rathgeb Smith, "nonprofits may be more capable than government or market organizations of generating social norms of trust, cooperation, and mutual support due to their non-coercive character and appeals to charitable and social motives."<sup>3</sup> The third logic is based in the expressive and pluralistic function of the nonprofit sector. As described by Lester Salamon, the nonprofit sector is vital in and of itself as it provides, nurtures, and sustains a sphere of private action and "a crucial national value emphasizing individual initiative in the public good."<sup>4</sup> While individuals may take action to promote their own well-being, many initiatives involve marshaling attention to and action around lingering and/or new social and economic issues.

## Changing Logics and Hybridization

So far we have used the notion of institutional logics as a way of framing each sector, but if we are to make sense of hybridization we must put attention to how institutional logics shift and evolve.

Over the past century, management theory has oscillated between two poles: one that holds that organizations are based in human action (meaning that they are fallible and decidedly social creations with all of their intricacies) while the other holds that organizations are rational systems designed for efficiency. The industrial engineering movement of the 1950s and 1960s, pushed by the first introduction of computers, sought to rationalize how organizations converted inputs into outputs. Several scholars in the 1970s observed something that practitioners would find to be intuitive: organizations have all sorts of warts and bumps that are not rational at all but also do not go away over time. Institutional theory was based in the idea

that organizations are social creations, where conformity to what is viewed as "right" is more important than rationalization.

In their seminal work, Paul J. DiMaggio and Walter W. Powell describe a world where organizations begin to look a lot alike.<sup>5</sup> Consider your doctor's office: as you walk into the waiting room, you can guarantee that there are stale magazines, anemic office plants, and a receptionist at the front. This process of isomorphism is driven by normative pressures ("Hey, I get nervous without old magazines"), coercive pressures ("The state of California mandates at least six inches between each chair"), and mimetic pressures ("Dr. Steven's office is where everybody goes, so we need to look like her office"). In reality, this is a dreary world where we are all drifting toward homogeneity.

Institutional logics inhabit this world, but with the exciting idea that they can also be appropriated and manipulated by savvy leaders. Organizations do not conform to a single logic but rather exist in a matrix of lenses that magnify what actions are permissible. Just like Russian dolls, logics are nested in each other, from the largest societal levels all the way down to each organization. Roger Friedland and Robert Alford lay out five core societal institutions, each with a logic: the capitalist market, the bureaucratic state, families, democracy, and religion.<sup>6</sup> The recent debate about healthcare reform brings forward several of these logics: the primacy of the market in offering choice to consumers, the rhetoric against the bureaucratic state, and even discussion about the need for a democratic process in making choices.

At a lower level, organizations exist in groupings, such as domestic violence shelters in a region. Here, too, are institutional logics that are subsumed in the societal level but are more particular to the specific locale. Nonprofit hospice organizations might value the logic of family before the logic of the market, and may bristle at for-profit hospices that seemingly do the opposite. With that said, at a higher level the societal logic that values market-based solutions comes to the fore as investors in for-profit hospice want to see financial returns irrespective of whether or not family was at the heart of decision making. Lastly, organizations themselves have logics that have developed over time. Founders may

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have instilled logics about “how things are done,” or key events through an organizational history may trigger the alteration of a logic.

As organizations grow, sectors evolve, and normative constraints change, organizations can find themselves at the crossroad of several logics. Some view this as being wedged between two different sets of constraints, while others see it as freedom to choose the logics that work best for them. Not all organizations are created equal, so it is hard to imagine they can simply choose the types of constraints to which they will adhere. The case of the University of Pittsburgh Medical Center (UPMC) illustrates how crosscutting logics can be liberating *and* constraining. A multibillion-dollar nonprofit hospital system, UPMC has been extremely successful in outcompeting regional hospital systems, adhering to the societal logic of the market. When the media covers the near monopoly UPMC has in the region, this offends the market logic that we are all better off with choice and competition. At the same time, the field-level logic of the nonprofit sector that values selflessness and charity has been liberating; as a nonprofit, UPMC, in the minds of consumers, is providing services without being concerned about the profit motive. UPMC has been successful at working this seam while being, at the same time, large and omnipresent.

### Hybridization and Sector Logics

Sector logics continually evolve over time—some cataclysmically, such as occurred with the American public sector during the “Reagan Revolution,” and some slowly, such as is occurring with the public’s acceptance of social engagement in the for-profit sector (benefit corporations, etc.). We argue that the dominant logic of the nonprofit sector, namely charity and social benefit, has been tugged and contorted out of financial necessity in the past generation. Fifty years ago, the idea that a YMCA would create revenue-generating ventures conjured images of bake sales and basketball leagues. Today they can range from securing economic development incentives for re-creating neighborhoods to strategically partnering with for-profit gyms in order to better reach communities in need. Charities have truly stepped outside of the traditional logics, but that is not to say that this transition has been easy.

A major shift in the nonprofit sector logic has come from how government (and to a certain extent society at large) views how nonprofits should be funded. Over the past sixty years, the government-nonprofit relationship has ebbed and flowed, partly due to the political ideology of the day as well as the amount of resources available for distribution to the nonprofit sector. Largely beginning in the 1960s, the federal government in particular began to fund nonprofit human service organizations to perform services that previously had either been produced by government or not been part of the welfare state. The nonprofit sector rapidly expanded in this period, given its increased role as adjunct to the state. The evolution changed complexion in the 1980s when the Reagan Revolution transformed the rhetoric from government as a force for social change to government as the enemy. The nonprofit sector, to a certain extent, was able to capitalize on the devolution movement. For conservatives, nonprofits represented an American good: the charitable impulse that solved society’s problems through innovation and local solutions. For liberals, nonprofits represented community action and a commitment to social justice. The devolution movement of the 1990s, sped along by welfare reform, placed nonprofits as preferred contractors in human services.

The recessions that bookended the first decade of the twenty-first century have caused governments to question whether they should continue to provide different human services; in addition, there is great concern about whether nonprofits are sustainable, meaning that they can continue to provide services even without government funding. A new logic, one that is often framed by social enterprise or social entrepreneurship, has flipped our understanding of charities. No longer should they abstain from aggressively raising revenue and even investing in the capacity to generate more; rather, they should be innovative in searching out opportunities to gain sufficient revenues to increase the scale of their impacts. For example, universities are no longer supposed to rely on state allocations but rather should seek collaborations with industry, develop paid programming for community members, and actively seek to take market share from universities in other states.

Logics are not objective things but rather subjective normative constraints that stakeholders develop to focus attention in a confusing world. Organizations that seek to capitalize on the shift in logics face difficult decisions about how best to position their actions. Internal and external stakeholders may still fervently believe in the more traditional logic of charities, while others may want nonprofits to “act more like a business.” Savvy leaders have a pulse on how their stakeholders construct their impressions of the field, with an eye to revealing actions to groups in formats that are complementary to their existing logics.

Organizations are also able to create structures that buffer themselves from the perceived misfit with logics: universities create business parks and patent development offices; hospitals create doctors’ practices and industry partnerships; organizations that have already made the fundamental choices about their legal structure—L3C, B Corp, public charity—continue to be able to create hybrid structures to capitalize on the continual evolution of sector logics. The jury is out on their success.

## Moving Forward

Today it is not a question of *if* but rather *how* hybridization and competing institutional logics impact the nonprofit sector. One area where hybridization has become a prominent feature is the social entrepreneurship movement. Many social entrepreneurs wanting to start new organizations or find innovative solutions today appear uneasy and unwilling to commit to one sector logic and instead try to balance essential features from multiple ones. This is captured in notions such as the triple bottom line (profit, people, and planet) and social enterprise. Still, whether or not hybridization is a sustainable or effective path forward remains unclear. For example, in institutional scholarship, the concept of institutional change is commonly viewed as a transformation from one dominant logic to a different dominant logic. In other words, having coexisting multiple institutional logics is not a stable situation but a temporary state not likely to be sustained. On the other hand, nonprofit actors are used to operating in a multi-logic environment. Thus, are they to prepare for a battle between rival institutional logics in the nonprofit sector, or are they perhaps

witnessing the emergence or evolution of a nonprofit sector with the ability to collaboratively use and be guided by multiple, seemingly different, logics?

Important questions about governance, accountability, and effectiveness are raised elsewhere in this edition of the *Nonprofit Quarterly*. All of these issues related to the mixing of institutional logics need careful, ongoing examination by dispassionate researchers; in addition, practitioners may need to become more adept at looking at the social experiments of hybridization as just that—staying open to challenge and attentive to unanticipated consequences.

## NOTES

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