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Varieties of (Social) Entrepreneurship: Hybrid Organizational Forms, Community Embeddedness, and Evaluating the Promise(s) of Social Change

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ABSTRACT

What is the role of entrepreneurship – a predominantly market-based approach – in addressing social problems such as inequality and social exclusion? How do entrepreneurial organizations with a distinctly social purpose (often referred to as hybrid organizations) manage additional imperatives, such as those related to democratic governance? Based on 70 interviews, archival analysis, and event-history analysis of 3551 hybrid organizations over 13 years, this dissertation examines two parallel models of “entrepreneurship for the social good” in France. Chapter 1 investigates a model of social entrepreneurship based on the profile and community context of the entrepreneur. Namely, it considers how entrepreneurs from the disadvantaged suburbs around Paris (banlieues) contribute to reducing social exclusion in their communities in ways both functional (e.g., facilitating the founding and network-building of new enterprises) and ideational (e.g., altering stereotypes and cultural perceptions of the banlieues). Chapters 2 and 3 focus on multi-stakeholder cooperatives for the public interest (SCICs) as a statutory model of social enterprise based on organizational form. Chapter 2 investigates the combination of community and organizational-level factors that contribute to the higher overall survival rate of SCICs compared to traditional cooperatives and comparable corporations. Chapter 3 complicates this optimistic view by uncovering organizational strategies for dealing with the additional demands of democratic governance and participation in such entrepreneurial ventures for the social good.

Overall, the dissertation invites a rethinking of entrepreneurship as primarily focusing on standard practices of venture creation and growth, and of entrepreneurship’s role in social change as largely involving community economic development and job creation. Although enterprises
founded in the *banlieues* and SCICs may not systematically scale or contribute to reducing unemployment, the multi-faceted forms that entrepreneurship *does* take in disadvantaged communities provide other valuable social change outcomes. Further, by studying market-based initiatives in the quintessential French welfare state the dissertation questions what it means for enterprise initiatives – and the government policies that increasingly promote them – to succeed or fail in their social, economic, and democratic missions. More broadly, the findings may prove useful to policy debates on what forms of entrepreneurship to support, in which contexts, and by what means, in order to achieve a range of social welfare outcomes.
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DEDICATION

For

My grandfather – whose spirit lives on in every dream,

My parents – whose love and support inspire me to pursue those dreams, and

My husband – who took love, support and dreams to another level
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INTRODUCTION

In October 2015, France commemorated the 10-year anniversary of a period of social upheavals that profoundly marked its collective consciousness and shook the Republican model of egalitarianism and fraternity. On October 27, 2005 two teenagers – Bouna Traoré and Zyed Benna – died in an electrical substation in the Parisian banlieue1 of Clichy-sous-Bois, where they had sought refuge following a police pursuit. The controversial death of the two teenagers – a first-generation Tunisian immigrant and second generation Mauritian immigrant – engulfed the country in weeks of rioting and protest. The President eventually declared a national state of emergency for the first time since the Algerian War of Independence in 1962. In the wake of the riots, many questioned the capacity of the French Republican state to maintain social cohesion across all its territories and to guarantee the inclusion of all its citizens.

Amidst abounding explanations for this tragedy-turned-national-mobilization, most members of the media, policy-makers and scholars referenced decades of failed urban politics, incapable of addressing youth unemployment, poverty and social exclusion in the banlieues (Sahlins, 2006). Ten years later, French President François Hollande announced the launching of the Agence France Entrepreneur, charged with centralizing national and local initiatives to promote entrepreneurship and job creation in disadvantaged territories. This dissertation is an attempt to understand the implications of this shift towards leveraging entrepreneurship as a market solution to social problems, particularly in contexts in which social welfare responsibilities have historically fallen to the State. In many respects, the promise of entrepreneurship presents a stark

1 Literally, “suburb”. See Empirical Context for a more complete explanation of the term’s connotations.
alternative to the promise of full employment at the heart of many theories of the welfare state (Korpi, 2003). In lieu of expected employment security, entrepreneurship relies on risk. In place of top-down economic policy, entrepreneurship hinges on bottom-up individual (less often collective) initiatives, even when supported by the State as a catalyst. The active promotion of entrepreneurship as a solution to social welfare problems thus seems to suggest a reorientation of the welfare state’s redistributive role from one of providing insurance and security (Prasad, 2000) to promoting greater risk-taking.

Albeit with its own particularities, the French case is merely a more extreme example of the broader use of market principles to address social needs. A cursory glance at any major news source today offers an impressive menu of pressing social challenges: the forced migration of refugees, the integration of migrant populations into host societies, socio-economic inequalities and multiple forms of exclusion across and within nations, environmental degradation, and the persistent quest to alleviate poverty in both the developing and the developed world. It has become relatively commonplace to point to a retrenchment of the welfare state (Aiken, 2006; Bovaird, 2006; Eikenberry and Kluver, 2004; Hoffman et al., 2010; LeGrand, 2003), globalization, and the expansion of neoliberal politics (Fourcade-Gourinchas and Babb, 2002; Henisz et al., 2005; Moore et al., 2011; Prasad, 2006; Van de Van et al., 2007) as further exacerbating factors. Against this backdrop, interest has exploded in hybrid organizational forms and arrangements (e.g. public-private partnerships, microfinance initiatives, social entrepreneurship, social innovation), which promise a path forward by recognizing that the complexity and magnitude of modern-day challenges requires engagement from multiple societal actors (see Selsky and Parker, 2005).
At their core, such initiatives promote the integration of economic and social imperatives, such as the simultaneous pursuit of economic benefits and poverty alleviation. A key exemplar is social enterprises – organizations that combine commercial activities with a distinctly social core mission. The ever-growing proliferation of social enterprise initiatives and of public and scholarly attention to social entrepreneurship (e.g., Kickul et al. 2012; Morris et al., 2011; Schwab Foundation 2014; Short et al., 2009) suggest they are worthy of further investigation. Given their hybrid nature (Battilana and Dorado, 2010), their contested positioning between the market, the state and the Third Sector (Dees and Anderson, 2003; Hjorth and Bjerke, 2006), and their quest for legitimacy (Nicholls, 2010), social enterprise initiatives present an intriguing opportunity to understand the role of private and public actors in continuing efforts to address daunting social problems.

The purpose of this dissertation is not, however, to study social entrepreneurship (SE) in its own right. Rather, SE provides a context in which to explore larger questions about the role of entrepreneurship and market mechanisms – often seen as contributing to socio-economic inequalities – in mitigating those same inequalities. In a series of three chapters, I examine this puzzling phenomenon through an investigation of two distinct models of entrepreneurship used for social ends in France. The first model (Chapter 1) emphasizes the profile of the entrepreneur and their community embeddedness as essential to understanding entrepreneurship’s potential social impact. Namely, it considers the social consequences of entrepreneurship undertaken by members of disadvantaged communities, irrespective of whether the ventures founded are themselves social enterprises. The second model (Chapters 2 and 3) focuses instead on organizational form as a defining feature of entrepreneurship’s potential to produce positive
impact. Specifically, it considers socially-motivated multistakeholder cooperatives for the public benefit (SCICs), irrespective of their founders’ profile.

At first glance, the two models appear rather different. Entrepreneurial initiatives by members of disadvantaged communities may be closer to perspectives on social enterprise that emphasize entrepreneurship at the Bottom of the Pyramid (Prahalad, 2005). This model is most often associated with microfinance initiatives in developing countries. The enactment of such forms of entrepreneurship in developed country contexts – where resources may be relatively limited for some populations but hardly scarce in an absolute sense – thus invites special consideration. On the other hand, the SCIC model of social enterprise more closely aligns with European perspectives on alternatives to a purely market economy through the Social and Solidarity Economy (Laville, 2011). What is fascinating is the mostly parallel coexistence of these models in the French context, with some actors clearly identifying with an “Anglo-Saxon” or a “Continental European” model of social enterprise, and others finding such distinctions artificial. Even more strikingly, despite expressing potential affinities with both models, actors overwhelmingly practice one or the other. That is, entrepreneurs from the banlieues don’t tend to found SCIC organizations, and among SCICs in the region, only a few are directed towards impact in the banlieues. However, to the extent that both models play an important – albeit largely separate – role in leveraging entrepreneurship for the social good, studying them together promises to be of relevance.

Similarly, at first glance, not all the organizations described in the dissertation adhere to a conventional definition of hybrid organizations. Particularly among enterprises founded by entrepreneurs from the banlieues, many are indeed structured according to conventional for-profit and not-for-profit categories. Although a certain proportion of them have distinctly social purpose
goals and would thus qualify as hybrids (e.g. a work integration social enterprise that markets itself as a business-to-business catering service while training the long-term unemployed), others are clearly non-hybrid (e.g., a non-profit that promotes cultural exchange in the banlieues without substantial market activity; a for-profit home retail business founded by a banlieue resident without a core social mission).

Among SCICs, on the other hand, all can be classified as hybrids – at least from the perspective of their organizational form. That is, by the very nature of their legal entity, SCICs are required to combine commercial activity, a social purpose in the “collective interest”, and democratic and participatory governance. All three elements form the core definition of social enterprises as defined by the EMES (Emergence of Social Enterprise in Europe) network. Beyond this specific definition, it is reasonable to claim more broadly that SCICs combine the key features of hybrid organizations, in which both commercial exchange and a social purpose are core to the organization’s purpose and activities.

This being said, potential discrepancies between an organization’s espoused form and the degree to which its actual practices conform to such a form inevitably exist. Hence, it is not this dissertation’s argument that all SCICs are hybrids in practice simply because they have adopted the particular organizational form. Indeed, Chapter 3 argues that SCICs adhere to hybrid and democratic ideals to differing degrees. Their “true” enactment of hybridity is thus an empirical and debatable matter.

Furthermore, the SCIC organizational form itself needs to be considered in relation to the alternative forms from which it is “hybridized.” That is, the legal statutes, obligations, regulations, and affordances of SCICs derive from three well-established and institutionalized organizational
forms: non-profit associations, for-profit enterprises, and classic worker/employee cooperatives. From the first, SCICs borrow their orientation towards a social purpose in the collective interest as well as certain benefits such as access to volunteer labor; from the second – they take their commercial activity and a portion of the obligations associated with for-profit enterprises; from the last – they adopt the practices and obligations related to shared ownership and participatory governance structures. Although the conventional constituent categories (non-profit, for-profit, cooperative) are still relevant, as hybridized organizational forms become more prevalent and normalized, they may themselves eventually become the reference categories for new and evolving organizational forms.

The divergent bases for judging the positive influence of entrepreneurship across these two models – entrepreneurship by members of and in disadvantaged communities (Chapter 1), and social purpose entrepreneurship through hybrid organizational forms (Chapters 2-3) – raise fundamental questions about who and what is entrepreneurship being promoted for? Although each tackles a more specific, smaller piece of this overarching question, the three chapters of the dissertation collectively seek to understand how entrepreneurship is being utilized across communities to achieve social goals, and what factors help or hinder the sustainability of entrepreneurial initiatives for social change. In so doing, I integrate theoretical insights from work on commercial entrepreneurship, social entrepreneurship, and hybrid organizing. Overall, the purpose of the dissertation is therefore to challenge standing assumptions in the two streams of research that have dominated the study of socially-oriented enterprises and entrepreneurship.

THEORETICAL BACKGROUND

Rethinking the boundaries between commercial and social entrepreneurship
The political promotion of entrepreneurship has constituted a “profound change in community economic development strategy over the past decade” (Gruidl et al. 2015: 278). National governments and supranational bodies increasingly push agendas that rely on entrepreneurship and small business activity to address everything from youth unemployment, to economic stagnation and social exclusion (Blackburn and Ram, 2006; Bradley and Klein, 2016). Yet, entrepreneurship’s relationship to complex socio-economic goals beyond economic growth – such as altering the structures of inequality (Rocha, 2004) – is more ambiguous (Viterna and Robertson, 2015; Wennekers et al., 2005). On one hand, studies have shown that increases in entrepreneurial activity within a country or region are accompanied by rising economic inequality (see Lipmann et al, 2005 for a review; Blackburn and Ram, 2006; Marinoni, 2017; Sorensen and Sorenson, 2007), potentially jeopardizing further development (Piketty, 2014; Stiglitz, 2013). At the same time, studies have also shown that entrepreneurship can promote community development (Diochon, 2003; Johnstone and Lionais, 2004), as well as individual mobility (Alvord et al. 2004; Brown and Covey 1987; Keister, 2000). It thus remains largely unclear whether – and to what extent – entrepreneurship is a force for mitigating versus reinforcing inequalities, and the potential trade-offs between equality, economic growth and development remain a source of vehement scholarly and practical debate (Viterna and Robertson, 2015).

Scholars have attempted to address these mixed results by distinguishing between different types of entrepreneurship. Baumol (1990), for instance, recognized the potential for differential impact based on whether entrepreneurship took a productive, unproductive or destructive form. Others have distinguished between the effects of opportunity- versus needs-driven entrepreneurship (see Williams and Williams, 2014 for a critique). The former is typically
associated with innovation and high growth (e.g., in the high-tech industry), whereas the latter is often undertaken as an income-generating strategy by individuals with otherwise limited (or no) access to wage labor. Scholars have thus argued that it is high-growth entrepreneurship that truly contributes to a country’s economic growth and to reducing unemployment (Shane, 2009). Yet, it is precisely this type of entrepreneurship that is often linked to growing inequality, as it is premised on uneven access to information and resources among social groups (Perry-Rivers, 2014).

Relatedly, the literature on social entrepreneurship (see Dacin et al., 2011) and associated streams on microfinance have begun to identify other potential sources of ambiguity – namely (social) entrepreneurship’s distinct effects across levels of analysis. For instance, although recent reviews of the literature report inconclusive evidence of microfinance’s overall impact on poverty reduction (Banerjee, 2013; Banerjee et al., 2015), qualitative studies have found that it can strengthen local social capital and collective empowerment, particularly among women (Sanyal, 2009). Finding the reverse relationship between individual and community impact, Diochon (2013) shows that while encouraging entrepreneurship in a Canadian First Nations community improved overall quality of life, it produced considerable dependency at the individual level. More importantly, improvements tended to be concentrated among a small group of people, thereby reinforcing inequalities within the community. The above suggests that the ability of entrepreneurship-oriented policies to achieve social impact likely varies by the type of entrepreneurship and the level of analysis considered.

Despite their potential complementarities, however, the literatures on commercial and social entrepreneurship relevant to socio-economic change have largely remained separate. Yet, the reality on the ground is that entrepreneurial initiatives and forms (whether self-employment in
rural India, high-tech startups in Silicon Savannah, or social enterprises in France) are increasingly being used to achieve more than traditional economic outcomes. Context is of particular importance here. A café that opens in the center of Paris may represent little more than an economic activity and a point of service among multiple competitors in the same geographic area. A café that opens in a disadvantaged community in the Parisian suburbs may, instead, be among the few contributors to social cohesion in the community – offering not only material services but also a unique space for congregation and exchange among residents. The same type of entrepreneurial endeavor can therefore exist on a spectrum from commercial to social entrepreneurship, with the local context often determining its relative position.

This dissertation takes the above premise seriously, contributing to a rethinking of entrepreneurship as multi-form and multi-faceted. Entrepreneurship is as much about organizational founding and growth as it is about adopting an entrepreneurial spirit and applying it to the setting of employment or individuals’ daily lives. It encompasses institutional and policy support for high-growth start-ups that can offer employment opportunities at scale, as well as support for the local pizza shop in the banlieues that helps transform the life of its single founder-employee. It covers the spectrum from the ideal-type social enterprise, which engages in professional market activity to finance the employment of the locally hard-to-employee, to the successful founder of a commercial luxury goods business lauded as an exemplar of the next generation of banlieue entrepreneurs. Rather than social versus commercial, entrepreneurship thus takes on multiple forms along a spectrum, each implying distinct opportunities to bring about social change at various levels. Ultimately, the dissertation therefore takes up Calás et al.’s (2009: 553) question of “what would happen… if the focus…were reframed from entrepreneurship as an
economic activity with possible social change outcomes to entrepreneurship as a social change activity with a variety of possible outcomes?”

Rethinking forms of organizational hybridity

Relatedly, the dissertation seeks to question some assumptions in existing literature on hybridity and hybrid organizations – among them social enterprises (Battilana and Dorado, 2010; Battilana and Lee, 2014; Hudson, 2009; Stevens et al., 2014). Although scholars increasingly recognize that hybridity can offer certain competitive advantages (Kraatz and Block, 2008; Seo and Creed, 2002), the majority of existing work has considered how hybrids address the challenges and tradeoffs associated with fulfilling a dual mission and diverse stakeholder interests (see Doherty et al., 2014). For instance, Ebrahim et al (2014: 83) summarize these challenges as involving “accountability for dual performance objectives and accountability to multiple principal stakeholders.” Studies within this research agenda have thus focused on identifying organizational strategies for dealing with manifest tensions in hybrids (Battilana et al., 2017).

Consequently, the basic premise of work on hybridity remains that organizational challenges stem from competing values and goals across two primary domains: social and commercial. What remains underexplored is the multi-layered nature of hybridity when one considers such things as governance mechanisms and the imperative many hybrids face to meet social and economic demands via democratic governance. Beyond manifest tensions over competing values and interests, the dissertation considers how hybrid organizations deal with the more mundane and “technical” task of getting diverse stakeholders to participate in governance in the first place. That is, what happens when a hybrid’s multiple stakeholders aren’t even engaged enough to express and defend their competing demands? And what of competing demands around
participation and representation that have less to do with striking a balance between economic and social goals? As with commercial and social entrepreneurship, therefore, the dissertation advances the budding idea that hybridity is also a spectrum, involving the complex organizational management of more than dual social-commercial tensions.

EMPIRICAL CONTEXT

The empirical context in which I situate the above questions are the French banlieues. While the term banlieue officially describes any geographical space outside of an urban area (i.e. a relatively neutral designation of the suburbs beyond Paris intramuros), in practice it is more often used to refer to disadvantaged suburbs on the outskirts of metropolitan areas. Usually the size of a neighborhood, such areas are characterized by disproportionately higher rates of unemployment, poverty, and social exclusion compared to surrounding neighborhoods. As such, the banlieues stand as evidence of territorial inequalities in France and form the basis of the state’s community-rather than individual-based policies to address the latter.

The existence of territorial disparities is particularly troublesome for a state founded on the ideals of liberty, equality and fraternity. As such, since the 1980s, public policies under the umbrella of politique de la ville have implemented various initiatives to resolve the so-called “banlieue problem”. The policies themselves present further problems of legitimacy, as the Republican state is forced to simultaneously recognize and address territorial differences while espousing a model of solidarity and integration that emphasizes universality (Kirszbaum, 2015). Perhaps most remarkable is the transition in recent decades away from more traditional welfare

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2 Also referred to as cités and quartiers (sensibles). The official government designation of a quartier prioritaire corresponds to neighborhoods in which the level of poverty (based on household income) is significantly higher relative to adjacent geographical areas.
policies towards the *banlieues* (e.g., promoting full-time employment, training and educational activities for youth) towards more market-based initiatives focusing on entrepreneurship (e.g., promoting self-employment, funding start-ups and supporting entrepreneurial education in schools). This transition intensified notably in the aftermath of the 2005 *banlieue* riots.

Paradoxically, France is both among the more obvious and the more unusual settings for entrepreneurship to take hold as a legitimate approach to solving community-based poverty and social exclusion. The strong statist-Republican tradition (Laurent and Lamont, 2010), and the disproportionate weight of the welfare state compared to other OECD countries\(^3\), suggest that more distributive (less risk-tolerant) social policies would take precedence. Indeed, scholars note that opening up the delivery of social benefit to private organizations challenges the very principle of the centralized French state as solely responsible for social welfare provision (Lindsay and Hems, 2004). On the other hand, France could easily have been at the vanguard of the entrepreneurship for social change movement. As early as the 1970s, the country experimented with some of the earliest and most enduring forms of social enterprises – work integration social enterprises (WISE) – which featured government-subsidized market activity as a way to reintegrate structurally unemployed individuals into the labor market (Battilana and Lee, 2014; Defourny and Nyssens, 2006; Kerlin, 2006). Long-standing support for a social and solidarity economy, which promotes the role of cooperatives, mutual aid societies, non-profit associations and foundations in the economy (Demoustier and Rousselière, 2006; Moulaert and Ailenei, 2005), would also suggest favorable conditions for the spread of entrepreneurship as a public policy solution to territorial inequalities in France.

The push for entrepreneurship as a solution to the “banlieue problem” is paradoxical for another reason. High-growth firms tend to account for the majority of new economic activity and job growth (Terjesen et al., 2015), whereas French policies are currently more suited to the creation of small new firms and self-employment in the banlieues (National Assembly, 2013). It is thus unclear how entrepreneurship is meant to substantially reduce unemployment and social exclusion in these communities. For instance, despite a remarkable increase in new businesses in France between 2000 and 2011, the vast majority (74%) were due to self-employment, and only 4% of those surviving after five years created additional jobs (National Assembly, 2013).

Returning to Clichy-sous-Bois, the epicenter of the 2005 riots, the results are also far from encouraging. Ten years after the dramatic events, unemployment and poverty levels stand at 24% and 43% compared to 21% and 22% a decade ago. Nevertheless, entrepreneurship as a beacon of hope continues to be on the political agenda. With the renaming of the former free enterprise zones (particularly high priority banlieues for government intervention) to “entrepreneurial territories” in 2015, the connection between entrepreneurial initiatives and addressing the “banlieue problem” became further solidified.

The combination of these paradoxical elements make the French banlieues a particularly apt empirical setting for the dissertation, as it is here that we are most likely to encounter the politically contested nature of entrepreneurship used for social ends. From a policy perspective, the French case is also important in that it sheds light on the intricate relationship between public, social, and economic policy and markets. Specifically, it represents a more global transition from public policies aimed directly at improving the lives of citizens within communities to the state as facilitator of private actions to improve social welfare.
CHAPTER SUMMARIES

The first chapter of the dissertation seeks to understand the sources of variation among different forms of entrepreneurial initiatives in the banlieues. It focuses on the first model of entrepreneurship for social change described above – namely, entrepreneurship carried out by individuals from or in disadvantaged communities, irrespective of the organizational form of the founded ventures. The chapter relies on 46 interviews and supplementary archival materials from two main actors in the entrepreneurial ecosystem – banlieue entrepreneurs and the public and private actors that support entrepreneurship in these communities within the Ile de France region. Specifically, I ask, how is entrepreneurship being used to achieve social ends in the banlieues, and what explains differences in the distinct forms it takes across organizations?

The chapter argues that social entrepreneurship in these communities takes on five distinct forms, each relying on a different set of mechanisms for bringing about social change: split, cultural, mediating, relational, and scaling entrepreneurship. Split entrepreneurship defines the activities of actors who pursue “purely” commercial opportunities as entrepreneurs but engage in socially-oriented activities on their own in the banlieues; cultural entrepreneurship emphasizes efforts to transform cognitive schema and stereotypes about the banlieues at both the individual and societal levels; mediating entrepreneurship relies on translational processes between disadvantaged community members and markets; relational entrepreneurship connects such communities to markets; and scaling entrepreneurship prioritizes the diffusion of successful entrepreneurial archetypes across and beyond the banlieues. I attribute differences across these forms to variation in how organizations construct the opportunity space for social impact within their communities – notably in terms of how they define their target of impact (those with the
greatest need versus the greatest potential to succeed), and their theory of impact (whether the goal of entrepreneurship is functional or ideational). The chapter contributes to theories of entrepreneurial opportunity construction in contexts where the distinction between commercial and social entrepreneurship is not only blurry, but often meaningless.

Chapter 2 considers the second broad model of entrepreneurship for social change based on organizational form rather than on the profile of the entrepreneur. Moreover, the chapter takes community embeddedness seriously by considering the combination of organizational and community-level determinants of the survival of multistakeholder cooperatives for the public benefit (SCIC). It relies on the full national population of SCICs and traditional cooperatives (SCOPs) between 2002-2014 as well as on data regarding all communities in which these social enterprise and traditional cooperatives operated (N=3551 organizations corresponding to 26,574 organization-years). Using event-history analysis, I find distinct survival benefits to being organized as a SCIC, despite the suggested challenges of managing this complex, hybrid, organizational form.

In fact, being organized as a social enterprise cooperative significantly reduces the risk of organizational failure compared to comparable classic enterprises, whereas being organized as a classic cooperative increases this risk. At the community level, I also find that increases in median household income improve the survivability social and classic enterprises, but only up to a point after which additional increases in income make little difference. Surprisingly, the risk of organizational failure decreases among communities with higher proportions of unemployed residents, though only after a certain threshold. Finally, in terms of the effects of local politics on hybrid organizations’ survival, I find evidence for a “sweet-spot” to the center-left of the political
spectrum, with the risk of failure increasing among communities with right or far left politicians in office. The chapter contributes to the literature on hybridity by illuminating the factors that help or hinder the survival of complex hybrid organizations at a population level.

The final chapter, Chapter 3, takes a closer look inside hybrid organizations using the same context of multistakeholder cooperatives for the public benefit (SCICs) as in Chapter 2. A specificity of the SCIC organizational form is that it combines multiple layers of hybridity. SCICs not only need to integrate commercial activity with a social purpose as with all hybrid organizations, but they must do so using democratic principles of governance that bring together both internal and external stakeholders. The chapter therefore asks, *how do already hybrid organizations manage imperatives related to democratic governance?* Relying on interviews with the founders or current directors of SCICs in the Ile de France region, as well as on supplementary organizational documents, I find four primary profiles of SCICs: *relentless idealists, reformist idealists, relentless pragmatists,* and *creative multi-hybrids.* The profiles correspond to particular sets of reasons for choosing to organize under the SCIC form, as well as organizations’ reactions to economic and/or governance challenges. SCICs with the first three profiles responded to challenges by either closing down to preserve the ideal of democratic governance, adopting more hierarchical governance forms to survive, or expressing disappointment with the SCIC form and contemplating conversion away from it. By contrast, *creative multi-hybrids* adopted specific strategies to sustain their social, economic, and democratic governance imperatives – notably via strategies of protecting project identity, professionalizing democracy, and segmenting power. The chapter contributes to a rethinking of the hybridity literature as involving the management of more
complex and multi-layered hybridity beyond the familiar duality of competing social and commercial goals.
CHAPTER 1
Varieties of entrepreneurship: Mechanisms of social change through entrepreneurial
initiatives in disadvantaged communities

INTRODUCTION
Pressing “grand challenges” such as combatting global poverty, inequality and environmental
degradation (Ferraro et al., 2015) draw increasing attention from organizational scholars and
policymakers alike. Given the largely taken-for-granted retrenchment of the welfare state (Aiken,
2006; Bovaird, 2006; Eikenberry and Kluver, 2004) – which previously offered plausible solutions
to such challenges – more recent attention has turned to market mechanisms and especially the
role of entrepreneurship in addressing complex social and societal problems (see Cooney and
Shank for a review; Hall et al., 2010). The trend has even taken hold in unexpected contexts – such
as France – where the welfare state has historically enjoyed legitimacy for acting in the public
interest (Damon, 2013; Roche, 2015).

A sign of this trend, in 2015 French President François Hollande launched the *Agence France
Entrepreneur* to consolidate initiatives for developing entrepreneurship among France’s most
severely disadvantaged neighborhoods – *quartiers prioritaires*. The announcement’s timing and
location were no accident. As the President commented:

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1 *Quartier prioritaire* (priority neighborhood) is the official term for government-designated priority zones – usually
the size of a small neighborhood – that are the subject of special public policies designed to decrease territorially-
based disparities across France. Colloquially and in much political discourse, the term is also used interchangeably
with *quartiers*, *cités*, and *banlieues*. For consistency, I use *quartier(s)* throughout the paper. For a more in-depth
discussion of the origins, history and political connotations of these communities, see Kirszbau, 2015.
I come here, ten years almost to the day, after the...terrible events that marked our nation – the riots. We wanted...at once to remember this day, but also to demonstrate that we are in a new era...We [...] want to ensure economic and entrepreneurial development in all sectors...We want it to be possible to be an employee when it’s an option and an entrepreneur when it’s one’s vocation. (*Speech at la Courneuve, October 20, 2015*).

A decade after dramatic urban riots revealed the depth of social exclusion and inequality across France’s *quartiers*, the President identified entrepreneurship as a new solution to nearly 40 years of failed public policies towards these communities (Kirszbaum, 2015). Beyond France, the enthusiasm over entrepreneurial approaches to social change has been shared by policy makers from national governments to supranational institutions (e.g., European Union 2020 Strategic Action Plan; OECD-European Commission Inclusive Entrepreneurship in Europe Project; United Nations General Assembly report on Entrepreneurship for Development, 2014). Yet, enthusiasm has largely outpaced evidence of the approach’s effectiveness. Although scholars have begun to offer frameworks for understanding the mechanisms through which organizations – including (social) enterprises – drive positive social change (Ferraro et al., 2015; Mair et al., 2016; Stephan et al., 2016), we still know surprisingly little about when, how and why entrepreneurship is (or isn’t) able to effect social change, and for whom (Diochon and Anderson, 2009; Emerson, 2003; Smith and Stevens, 2010).

This lack of conclusive evidence can largely be attributed to two related factors. The first is conceptual. For decades, scholars have debated whether entrepreneurship pursued in the interest of explicitly social – rather than purely economic goals (i.e. social entrepreneurship, SE) – constitutes a subset or a qualitatively distinct form of entrepreneurship (Austin et al., 2006; Dacin

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2 Intense urban riots broke out across France in October-November, 2005 following the death of two teenagers after a police chase in a *banlieue* near the site of the announcement. The unrest led to the declaration of a national state of emergency – the first since France’s war with Algeria in 1962.
et al., 2010; Dacin et al., 2011; Mair and Marti, 2006). As a result, research on the social impact of entrepreneurial initiatives has largely been relegated to scholars of SE. In this tradition, studies typically consider organizations that identify or can easily be identified as social enterprises, such as work-integration social enterprises (Battilana et al., 2015; Borzaga and Defourny, 2004); microfinance institutions (Battilana and Dorado, 2010), or notable cases, including the Aravind Eye Clinic (Ebrahim and Rangan, 2014) and organizations founded by ASHOKA fellows (Meyskens et al., 2010; Mair et al., 2012). Yet, this identification strategy tends to exclude a number of entrepreneurial initiatives that aspire to produce positive impact but that do not operate according to familiar or widely-accepted forms.

Moreover, existing studies tend to identify social enterprises by virtue of their activity. For instance, microfinance institutions are clearly distinguishable from commercial banks, since the former’s activity is lending money to the “unbankable poor”, despite lower financial returns. Yet, the social impact of entrepreneurial endeavors is not only activity, but also context-dependent. Despite claiming that “the core of entrepreneurship…is context free” Mair and Noboa (2006) recognize that social entrepreneurs’ context – “their involvement with the social sector or their exposure to social issues” – fundamentally leads them to pursue different motivations, opportunities, and outcomes than purely commercial entrepreneurs. The distinction between social and commercial entrepreneurship thus becomes rather insignificant in the very contexts (e.g., disadvantaged communities), in which most such activities are embedded (Marti et al., 2013; Marquis et al., 2007; Peredo and Chrisman, 2006).

But what exactly is positive social impact? The second factor which limits scholars’ ability to evaluate the effectiveness of SE in addressing complex problems is the difficulty of measuring
impact. As Ruebottom (2011: 173) claims, “most work in the field implicitly or explicitly identifies the construct based on a goal-centered evaluation of the triple bottom line.” That is, as above, most studies define an organization’s desired social outcomes \textit{a priori}, based on accepted indicators, with little attention to how actors themselves understand, enact, and evaluate their social missions (see Mair et al., 2012 for an exception). Consequently, the success and failure of social enterprise organizations (SEOs) is likely to be judged based on externally-imposed criteria that need not match the organization’s own goals. One might therefore conclude that an SEO is failing to reduce community poverty when its true purpose is to change outside perceptions of the community, independent of any effects on material conditions. Although all new ventures face challenges related to assessing their future success (Sanders and Boivie, 2003; Rindova et al., 2010), the latter are often a matter of temporality in classic enterprises, in which future success is simply unknown. For many social enterprises, the more fundamental challenge is that success itself may be unknowable. That is, beyond uncertainty over the value of future indicators of success, the very definition and tools for measuring such indicators are heavily debated and ambiguous among social enterprises.

Combined, the conceptual and measurement challenges help explain why, despite nearly three decades of research on social entrepreneurship, we still lack conclusive evidence as to the effectiveness of such initiatives. This paper argues that the two factors are part of a bigger shortcoming of existing research – the lack of attention to the diverse forms through which (social) entrepreneurship is enacted locally. The paper’s guiding research questions are therefore, 1) \textit{what are the different forms that (social) entrepreneurship takes in disadvantaged communities?} And 2) \textit{what explains these differences?}
Through an inductive study relying on 42\textsuperscript{3} semi-structured interviews with entrepreneurs from France’s most disadvantaged communities (\textit{quartiers}) and organizations that support the latter, as well as supplementary archival and observational data, I argue the following. First, whereas at the policy level entrepreneurship in the \textit{quartiers} is presented primarily as a narrow strategy for job creation, local actors pursue a much broader range of entrepreneurial initiatives with a social purpose. I label these different forms of (social) entrepreneurship: split, cultural, mediating, relational, and scaling. Second, I attribute differences across social entrepreneurship forms to three primary factors, or defining elements: (1) actors’ entrepreneurial identities and sub-identities; 2) their construction of social impact opportunities; and 3) their exploitation of said opportunities.

The findings make several contributions to existing literature. First, as previewed above, I contribute to the growing literature on entrepreneurship and social change by integrating frameworks from scholarship on both classical and social entrepreneurship. In light of concerted efforts to establish SE as a separate field of inquiry, the commercial and SE literatures have increasingly developed in isolation. Scholars of SE thus tend to consider opportunities for addressing social problems, and classic entrepreneurship scholars overwhelmingly continue to examine commercial market opportunities. A premise of this paper is precisely that in the context of disadvantaged communities, drawing a crisp distinction between the two is not only difficult but counterproductive. Instead, such ambiguous contexts allow an examination of how different types of entrepreneurial initiatives – along a spectrum from commercial to social and combined with multiple sub-identities – contribute in unique ways to social change. Note that throughout the

\textsuperscript{3} Note that these are part of a larger study – including 70 interviews, archival and quantitative data – of entrepreneurial initiatives for social change across France. The data presented are most relevant to entrepreneurship for social change in disadvantaged communities.
paper, I therefore use an inclusive definition of SE as “entrepreneurial activities with the aim to build organizations that achieve social goals” regardless of whether they take on a for-profit or non-profit form (Seelos et al., 2011: 336). I therefore follow Dorado and Ventresca’s (2013) approach of studying “entrepreneurship in the context of complex social problems” without imposing a priori categories of social versus commercial entrepreneurship or of particular desired social outcomes.

Second, I build on the entrepreneurship literature on opportunity recognition and exploitation and its increasing intersection with the literature on entrepreneurial identity. The former recognizes that entrepreneurs differ in the types of opportunities they recognize (or create) and decide to exploit, particularly in social-purpose ventures (Robinson, 2006; Mair and Noboa, 2006; Corner and Ho, 2010). Among the key factors that explain potential differences is the entrepreneurial identity of the founder. Studies have thus examined the effects of dominant commercial, social and mixed founder identities (Wry & York, 2017), activist versus entrepreneur identities (Simms and Robinson, 2009), and social bricoleur, social constructionist and social engineer identities among entrepreneurs (Zahra et al., 2009). Despite progress in the field, existing scholarship tends to treat identity categories as discrete and relatively homogenous, without fully considering the diversity of sub-identities of which they may be constituted. Notably, given that social-purpose entrepreneurship is most often embedded in communities, entrepreneurs’ degree of identification with the latter may vary even among those that collectively identify or can be identified as social, commercial or mixed entrepreneurs. Moreover, by studying identity and opportunity recognition/exploitation among both entrepreneurs and other members of the entrepreneurial
ecosystem (i.e., supporting organizations), this paper contributes to a more collective understanding of SE beyond that of the lone, heroic entrepreneur (see Montgomery et al., 2012).

The rest of the paper proceeds as follows. I first discuss the theoretical foundations for the argument, before elaborating on the empirical context and the methods of data collection and analysis. The findings are then organized into two main parts. The first considers three defining elements that explain the varieties of social entrepreneurship enacted in the quartiers: entrepreneurial identity, impact opportunity recognition, and impact opportunity exploitation. The second part brings these elements together into a typology of varieties of entrepreneurship for social change, introducing five main forms. The discussion summarizes the paper’s contributions to theory and practice and considers the implications of this typology for addressing inequalities in the quartiers.

THEORETICAL BACKGROUND

Given that the goal of this paper is to understand the enactment of different forms of (social) entrepreneurship in local contexts, and what explains their distinct approaches to producing social impact, I begin by drawing from the literature on the role of entrepreneurial organizations in effecting positive social change. Since a necessary element of both commercial and social entrepreneurship is the ability to recognize and/or create, and to develop opportunities, I further focus on the literature on opportunity recognition and exploitation as it relates to social-purpose ventures. Lastly, based on the findings that emerged from the interviews, notably the central role of multiple identities in how entrepreneurs perceived their opportunities for social change, I further integrate insights from the literature on identity and opportunity formation in the context of social entrepreneurial initiatives in disadvantaged communities.
The Role of Entrepreneurial Organizations in Effecting Positive Social Change

Organizational scholarship has revived its attention to the role of organizations in tackling “grand challenges” such as poverty, inequality and climate change (Allard and Small, 2013; Ferraro et al. 2015, George et al., 2016; Mair et al., 2016). Scholars have thus begun to identify mechanisms through which organizational activities transform “patterns of thought, behavior, social relationships, institutions, and social structure to generate beneficial outcomes for individuals, communities, organizations, society, and/or the environment” (Stephan et al., 2016: 1252). Yet, not all types of entrepreneurship hold the same promise (Shane, 2010). Important distinctions have thus been made between the effects of productive, unproductive, or destructive forms of commercial entrepreneurship (Baumol, 1990); between opportunity versus needs-driven entrepreneurship (see Williams and Williams, 2014 for a critique), and between entrepreneurship’s effects at different levels of analysis (Diochon, 2013; Haugh and Talwar, 2016). Accordingly, research increasingly takes a more comprehensive view of entrepreneurship, reframing the latter from “an economic activity with possible social change outcomes to…a social change activity with a variety of possible outcomes” (Calas et al., 2009: 553; Jennings et al., 2016; Tobias et al., 2013).

Consistent with this evolution, recent scholarship emphasizes the role of a particular type of organization – entrepreneurial ventures – in effecting social change (Gruidl et al., 2015). Beyond the long-established relationship between entrepreneurship and economic growth (Andersson and Noseleit, 2011; Zahra and Wright, 2016), studies thus consider entrepreneurship’s potential to promote community development (Diochon, 2003; Johnstone and Lionais, 2004), and individual mobility (Alvord et al. 2004; Brown and Covey 1987; Keister, 2000). Importantly, a limited number of efforts have been made to more systematically describe the mechanisms through which entrepreneurial organizations achieve positive impact. Early work by Alvord et al (2004) proposed
three forms of innovating for social change, related to whether organizations scale their impact by: building local capacity, disseminating a package, or building a movement. Similarly, Zahra et al (2009) classify social entrepreneurs based on whether they seek to address small-scale local needs (social bricoleur), fill “gaps to underserved clients in order to introduce reforms and innovations into the broader social system” (social constructionists), or pursue revolutionary systemic change (social engineers). In perhaps the closest study to the goals of the present paper, Mair et al (2012) identify different “social entrepreneuring models” by analyzing the descriptions of self-identified SEOs founded by Ashoka and Schwab foundation fellows. The authors identify four ideal typical models grounded in the primary type of capital (political, human, economic, social) utilized to address particular social issues (e.g., unemployment), involve specific constituency groups (e.g., women), and perform given activities (e.g., lending).

Such advancements notwithstanding, the above studies suffer from several shortcomings. Namely, they remain either conceptual or exploratory (e.g., Alvord et al., 2004; Zahra et al., 2009), depend on a priori definitions of social change outcomes that fail to take into consideration how entrepreneurial actors themselves understand their role in social change (with the exception of Mair et al., 2012), and – perhaps most importantly – rely on a sample of social entrepreneurs or social enterprise organizations that self-identify or are widely recognized as such. As a result, existing scholarship falls short of the goal to bring together insights from classical and social entrepreneurship in order to understand the broader entrepreneurial mechanisms of effecting social change. That is, by focusing on pre-identified social enterprises/entrepreneurs and social change outcomes, the research misses the opportunity to understand how different forms of entrepreneurial activity (not restricted to commercial or social) produce a variety of social change outcomes.
Notably, this knowledge gap results from a predominant focus on observable organizational activity at the expense of considering both entrepreneurs’ intentions and the contexts in which they enact different forms of entrepreneurship. By studying the theories of impact of individuals that carry out entrepreneurial activities in disadvantaged communities, this paper offers insights into the variety of social change goals they pursue, as well as the blurry line between social and commercial entrepreneurship in the contexts in which they operate.

**Recognition and Exploitation of Opportunities for Social Impact**

Whether in commercial or social entrepreneurship, scholars agree that the pursuit (discovery or creation, exploitation) of opportunities is a defining feature of entrepreneurial activity (Alvarez & Barney, 2010; Ardichvili et al., 2003; Baron, 2004; Eckhart and Shane, 2003; Shane, 2012; Venkataraman et al., 2012). Overwhelmingly, studies have focused on a commercial definition of opportunities (see Shepherd et al., 2015), highlighting the “chance to meet a market need (or interest or want) through a creative combination of resources to deliver superior value” (Ardichvili et al., 2003: 108). Yet, entrepreneurs committed to non-economic goals are likely to differ in their evaluation of opportunities (Corner and Ho, 2010; Mair and Noboa, 2006; Robinson, 2006). For one, in addition to the uncertainty faced by all entrepreneurial ventures, those with social goals face additional ambiguities with respect to their definition and measure of success. Since evaluating social impact is notoriously difficult (see Ruebottom, 2011), such organizations must assess opportunities not only in light of unknown future outcomes, but often in terms of unknowable indicators of success.

Some work has indeed considered how opportunity identification operates in socially-oriented enterprises. For instance, Robinson (2006: 99) argues that “social entrepreneurial opportunities are
a special case of opportunities…because they are embedded in a social sector market.” As such, they not only face economic barriers to entry (as with all entrepreneurial endeavors), but also social and institutional barriers that may be less determinant for purely commercial ventures. Seelos et al. (2011) further theorize that the opportunity space for social enterprise organizations is defined by how local communities conceptualize poverty-related social needs. Through an inductive case study, Corner and Ho (2010) similarly identify patterns of opportunity recognition and exploitation that are somewhat unique to social enterprises – namely in terms of the greater complexity and recursive relationship between these two phases (recognition and exploitation), coupled with the greater importance of collective action, relative to commercial entrepreneurship. This paper builds on the above emerging insights by investigating how entrepreneurs – but also rarely included supporting organizations that form part of the entrepreneurial ecosystem – construct their opportunities for social impact, thereby constituting a defining element of distinct varieties of social entrepreneurship.

The Role of Identity in Social Impact Opportunity Recognition and Exploitation

Central to understanding opportunity recognition and exploitation in both commercial and social-purpose enterprises is the role of entrepreneurial identity (Fauchart and Gruber, 2011; York et al., 2016). In the broadest sense, entrepreneurial identity is the “constellation of claims around the founders, organization, and market opportunity of an entrepreneurial entity that gives meaning to the questions of ‘who we are’ and ‘what we do’” (Navis and Glynn, 2011: 480). Studies of social-purpose organizations have also begun to investigate the role of identity, notably focusing on the different implications of “activist” or “entrepreneur” identities for the types of ventures founded (Simms and Robinson, 2009), or the potential conflicts that arise from simultaneously combining social and financial goals (see Battilana and Lee, 2014; York et al., 2016).
Most recently, York et al. (2016) investigated how entrepreneurs’ combinations of role and personal identities (associated with either a commercial or social welfare logic) produce distinct opportunity recognition and pursuit patterns, resulting in what the authors label single-minded, mixed and balanced entrepreneurs. For instance, mixed social entrepreneurs (with a dominant commercial/social welfare role identity and a secondary personal identity of the opposite logic) are theorized to be likely to recognize either commercial or social welfare-oriented opportunities, but will attempt to integrate both types of aims in their social enterprise organization. Other identity combinations result in entrepreneurs adopting “ready to wear” social enterprise models or leveraging temporal trade-offs to negotiate between social and financial aims.

While scholarship thus increasingly addresses the relationship between entrepreneurial identity and opportunity recognition and exploitation in socially-oriented enterprises, existing studies suffer from two major shortcomings. First, identity is often treated in singular, discrete terms (e.g., social, commercial, activist, entrepreneur, mixed, blended), without adequate consideration of the multiple sub-identities that may complement each of these categories. That is, opportunity recognition and exploitation are likely to differ even among entrepreneurs who collectively identity with a dominant “social” or “commercial” identity. For instance, given that entrepreneurial ventures with social goals are deeply embedded in local community contexts (Marti et al., 2013; Marquis et al., 2007; Peredo and Chrisman, 2006) and often concerned with local needs (Shaw and Carter, 2007), it is reasonable to consider an entrepreneur’s degree of identification with their local community as a consequential sub-element of their broader social or commercial identity. Relatedly, the vast majority of studies consider identity along a single dimension of social-commercial, with other conceptualizations (e.g., activist versus entrepreneur)
essentially evoking the same aspects. Although this dimension is clearly important – and one I also identify in my findings – this paper develops the conversation by introducing community attachment as an important sub-identity component.

EMPIRICAL CONTEXT

The ability of (social) entrepreneurship to address “grand challenges” can be expected to differ by national and local context, including the nature and scale of the problems, the infrastructure and favorable environment for entrepreneurial activity, and the degree of involvement of different societal actors. Based on lay perceptions, France is among the countries least likely to have turned to entrepreneurship as a solution to social problems in the *quartiers*. As the quintessential “welfare state” (see Prasad, 2005) expectations have often fallen upon government and the public sector to combat such problems as unemployment and social exclusion. According to a 2011 poll by the Ministry of Social Affairs (Damon, 2013), 65% of the French population considers state institutions to be best-positioned to improve social cohesion, with individuals coming in a distant second (19%) and businesses trailing far behind (1% of the vote). In parallel, the most recent Global Entrepreneurship Monitor (2016) rates the cultural climate for entrepreneurship in France below the GEM average, relative to countries such as the US, which score above average.

On the other hand, there are historical reasons to believe the French economy might hold legitimate claims to improving social welfare. The country has traditionally encouraged alternative economic models based on cooperatives, mutual societies, foundations and non-profits (Demoustier and Rousselière, 2006; Moulaert and Ailenei, 2005), and since the 1970s, France experimented with some of the earliest and most enduring forms of social enterprises – work integration social enterprises (Battilana and Lee, 2014; Defourny and Nyssens, 2008; Kerlin,
2006). More recently, given failure to reduce territorial inequalities between the most and least disadvantaged communities through traditional welfare policies (see Kirszbaum, 2015), the French government is increasingly relying on entrepreneurship to fill the gaps.

Indeed, entrepreneurial policy has evolved into a central feature of the politique de la ville – the series of policy measures and coordinated government efforts to address socio-economic exclusion in France’s 1300 most disadvantaged communities. Although specific government policies towards the quartiers prioritaires (QP) have existed since the early 1980s, only recently have they emphasized economic activity – and particularly the promotion of entrepreneurship as a key pillar. As Baumgartner et al. (2013) argue, whereas European policies of the “old” paradigm focused on increasing investment and employment in disadvantaged areas, the “new” paradigm emphasizes territorial competitiveness across all regions, thereby relying on economic growth and particularly entrepreneurship.

A notable example is the launch of the Agence France Entrepreneur (AFE), referenced in the introduction. At its inauguration, the stated objectives of AFE were to increase the proportion of businesses created in the poorest quartiers from 5 to 20%, and to support 10 000 entrepreneurs in their first hire (BPI France/Terra Nova, 2016). Table 1.1 provides a timeline of events and initiatives as part of the politique de la ville aimed at reducing unemployment and social exclusion in the quartiers. As evidenced in the table, policies began to shift in the early 2000s from a predominant focus on improving access to employment and job security (more aligned with traditional welfare state initiatives) to an emphasis on promoting entrepreneurial activity and risk-taking in the quartiers.

---Insert Table 1.1 about here---
This shift is partially explained by the stubbornly high youth unemployment rate in the quartiers (42%\textsuperscript{4} compared to 24%\textsuperscript{5} nationally), despite decades of targeted policies to improve conditions in these communities. Yet, there is little reason to expect that encouraging enterprise creation by itself will lead to job creation or – more fundamentally – fewer territorial disparities. Figure 1.1 shows the number of new enterprises created in France between 2000 and 2011, with a remarkable increase in self-employment (auto-entrepreneurs) following favorable legal changes in 2009. It is notable, however, that 74% of the enterprises created had a single employee (the entrepreneur), and that among those that were still in existence after 5 years, only 4% created any additional jobs (Taugourdeau and Verdier, 2013). Although arguably a grand success in terms of enterprise creation and lifting individuals out of unemployment figures, these findings also call into question the appropriateness and sustainability of entrepreneurship as a solution to socio-economic problems in the quartiers.

---Insert Figure 1.1 about here---

Geographic context – Ile-de-France Region. The geographic context for this paper is the Ile-de-France region of France, encompassing the city/department of Paris and seven other administrative departments. In terms of entrepreneurial activity, the region is home to one quarter of all enterprise creations nationally (INSEE, 2017). At the same time, it contains the most flagrant socio-economic disparities in metropolitan France, with 18 of the 20 most inegalitarian cities located therein (Centre d’observation de la société, 2017). The region is also home to 22% of all of France’s quartiers prioritaires, contributing to 13% of the regional population. Table 1.2 shows the

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\textsuperscript{4} Observatoire national des zones urbaines sensibles (2014).
\textsuperscript{5} INSEE. \textit{Taux de chômage BIT en France métropolitaine au quatrième trimestre} 2015.
proportion of the population in each department living in a *quartier prioritaire*, with the conditions of hardship relative to surrounding areas summarized in Table 1.3.

---Insert Tables 1.2-1.3 about here---

Although studies suggest that enterprise birth rates are nearly double in the QP relative to surrounding areas, the data also point to significantly higher failure rates in the former. Moreover, national-level statistics confirm that unemployment rates in the QPs have consistently been at least twice as high as those in surrounding areas, with a widening of the gap between 2008-2012 (ONZUS, 2013), notably among youth (ONZUS, 2012). To the extent that flagrant disparities in levels of income and unemployment persist across communities, it is reasonable to question the effectiveness of entrepreneurship-promoting policies in producing positive social change across the *quartiers*. Yet, it is equally reasonable to suggest that even if entrepreneurship isn’t a silver bullet, different forms of enterprise activity may nevertheless be contributing to other forms of social change in these communities. I explore this possibility following an overview of my methods of data collection and analysis.

**DATA AND METHODS**

Given that the goal of the paper is to theorize forms of social entrepreneurship and their antecedents in a field that is still far from theoretically mature, an inductive approach was deemed most appropriate. Consistent with most inductive studies, the paper relies primarily on semi-structured interviews with entrepreneurs from disadvantaged communities as well as actors that support entrepreneurship in the *quartiers* and beyond. Interview data are supplemented by non-participant observation of a number of field-relevant events, as well as by archival sources, described below. What the inductive nature of the study allowed me to do was to understand the degree of disconnect that might exist between what entrepreneurial initiatives report as their social
impact outcomes and what they describe more intuitively as their role in addressing social problems. For instance, whereas job creation is arguably the gold standard measure of success for policymakers and a defining component of entrepreneurship (Shane and Venkataram, 2000), many entrepreneurial initiatives in the *quartiers* have neither the ambition nor the capability to promote scalable employment. Nevertheless, they fulfill other crucial roles (e.g., promoting individual empowerment, changing societal perceptions), which cannot easily be appreciated by taking an outcomes-based approach. Ignoring how these entrepreneurial initiatives construct their theory of impact and recognize and exploit opportunities to bring about social change in the *quartiers* would thus risk undervaluing their contributions.

*Interviews*

As part of a bigger project that explores different approaches to social purpose entrepreneurship in France, this paper draws on 42 of a total of 70 semi-structured interviews. Interviews lasted an average of one hour, were conducted and recorded in French, and were transcribed by an independent provider. For the purpose of this paper, I draw on interviews with two main actor groups from the entrepreneurship ecosystem in Ile-de-France.

**Participants in an Entrepreneurial Contest for the *Quartiers* (hereafter EC).** The first group encompasses individuals who participated in one of the largest and oldest entrepreneurial contests established to recognize entrepreneurs from the *quartiers*. Interviewees were laureates at either the regional or the national level. The contest was selected for its theoretical relevance, since it allowed a study of initiatives ascribing to a very inclusive definition of both “social” and “entrepreneurship.” Established in the early 2000s, EC is a national-level contest co-launched by a branch of the French government. The contest recognizes entrepreneurial projects at either the
start-up or early scale-up phase, in any sector of activity, and under any legal form (commercial, non-profit, or hybrid). The only eligibility criteria require that the founder be a resident of a *quartier*, and that they be accompanied at some point in their entrepreneurial trajectory by a supporting organization. Projects are also technically required to include a territorial dimension (i.e., demonstrate a connection to the *quartiers*), though this criterion proved less restrictive in practice. In Ile-de-France, the full population includes 69 laureates between 2002-2015, of which I interviewed 18 covering the entire period.

**Supporting Organizations (hereafter SO).** To avoid the common and increasingly critiqued overemphasis in (social) entrepreneurship research on the “heroic individual” (Montgomery et al., 2012), I also rely on interviews with other key members of the entrepreneurial ecosystem – namely, presidents, directors and/or strategic officers of organizations that support entrepreneurship in a variety of ways. This allows me to account for the more collective dimensions of social entrepreneurship (Montgomery et al., 2012; Peredo and Chrisman, 2006) and the process of co-construction between social entrepreneurs and other members of the entrepreneurial community.

The independent agency, L’Avise, maintains a database of organizations that operate in Ile de France and provide support to local entrepreneurs, including in the form of: personal development of the entrepreneur; idea formulation and refinement; business plan creation; start-up, and scale-up financing; and technical and networking support. I complement the database with additional supporting actors, discovered during the exploratory stage of research while serving on a committee of impact investors in Ile de France. The interview pool thus covers a range of supporting organizations – both local, but also regional and national with local branches, ranging from non-profits that work with the long-term unemployed to promote self-employment, to impact
investors that fund mature organizations interested in scaling their activities. I conducted 24 interviews among a pool of approximately 156 such organizations operating in Ile-de-France.

Initial interviews covered several broad themes, including: (1) the respondent’s background, (2) the nature of their entrepreneurial activity (including perceptions of its social purpose), (3) the respondent’s definition and potential measurement of the project’s success, social impact, and/or failure, (4) the biggest challenges the respondent faced in developing their economic and/or social project, (5) and their general outlook on the role of entrepreneurship in addressing social problems in the *quartiers*. Answers to these questions helped define the broad contours of the different varieties of (social) entrepreneurship. The inductive nature of the study also allowed new interview questions to be integrated into the protocol during later stages of data collection, based on insights gained from early phases of data collection and preliminary analyses. Therefore, as the topic of identification (with the entrepreneurial contest, the *quartiers*, social entrepreneurship, the social and solidarity economy) began to surface in several interviews, I increasingly asked respondents to reflect on such things as: their/their project’s degree of connection to the *quartiers*, and their identification (or lack thereof) with the label “social entrepreneur”.

*Supplemental Data*

In addition to formal interviews, the paper also relies on non-participant and participant observations, as well as archival data.

**Fieldwork and Observations.** My involvement in the field began in 2014. Over the course of two months, I conducted informal interviews with a range of actors engaged in promoting employment opportunities, anti-discrimination, and entrepreneurship in the *quartiers*. During this time, I also volunteered to write case studies for a group of impact investors, through which I established additional knowledge of and contacts in the field. I then returned to Ile de France to conduct formal
fieldwork between September 2015 and April 2017. During this time, I attended a number of events sponsored by public and private actors in the entrepreneurship ecosystem. These included: (1) events convened by organizations I interviewed (e.g., movie screenings, festivals, lunch-and-learns, professional workshops, exhibits, demonstrations, etc.), (2) meetings/colloquia organized by professional networks of socially-engaged organizations (e.g., Agora of the CGSCOP), (3) talks and conferences open to the public on a variety of issues related to social innovation and entrepreneurship (e.g., UP Conférences; City/Cité 2; Convergences), and (4) the largest entrepreneurship convention in Paris (Salon des entrepreneurs). Furthermore, I participated actively in two events organized by interviewees: (1) as a guest jury member on a panel for evaluating start-up pitches by disadvantaged individuals from the quartiers, and (2) as a workshop facilitator during a conference that brought together French and international perspectives on the use of entrepreneurship as a tool for community development. Participation in these events allowed me to observe interviewees’ discourse in action, as well as to gain a better understanding of the ecosystem of actors involved in promoting entrepreneurial solutions to addressing inequalities in the quartiers.

Archival data. The paper further relies on a number of primary and secondary archival sources that help to substantiate interview data and to document socio-economic conditions and inequalities in the quartiers. These include data from France’s National Statistics Bureau (INSEE) on rates of entrepreneurial activity, unemployment, and living standards in Ile-de-France at the municipality level, allowing me to compare conditions in the quartiers to those in surrounding areas. Archival data were also used to compile the historical timeline of events in Table 1. Finally, a broad review of public discourse from 2002-2017 was obtained via http://www.vie-
public.fr/discours/, a website maintained by the French Directorate of Legal and Administrative Information. I initially obtained all search items related to the terms “banlieue*”, “quartier*” and/or “cité*” (n=1797 results), and then further filtered the results using the search terms for “employment” (emploi) and/or “entrepr” (which includes variations of enterprise and entrepreneur in French). This resulted in 561 documents dealing with either employment and/or entrepreneurship in the quartiers during the time period. The documents were coded to identify specific policy measures and initiatives related to promoting economic activity in the quartiers and were used to establish the empirical context and complement the historical timeline.

Analysis of Interview Data

Analysis of the interview data was broadly based on the Gioia method (Gioia, Corley, and Hamilton, 2013), which describes a systematic approach for conducting inductive, grounded theory research (Glaser & Strauss, 1967), notably by moving from open codes to theoretical constructs. The approach assumes that both respondents and the researcher are “knowledgeable agents” who can articulate their perceived reality and notice patterns in data. As is typical of inductive research, analysis proceeded in an iterative fashion, moving between interview transcripts and literature which emerged as relevant to the evolving findings (Miles and Huberman, 1994). The analytical process can nevertheless be described according to several phases.

Phase 1. As part of a bigger project to understand the role of (social) entrepreneurship in addressing social problems in the quartiers, I began analysis of the interview transcripts and field notes with an eye towards this broader question. During an initial round of coding, my goal was to remain open to emerging concepts and theoretical perspectives and to stay close to respondents’ own language. I therefore labeled passages from the full sample of interviews as they related to
the broad topic areas covered in the interview protocol (i.e., respondent’s background, the social purpose of the project, definition and measurement of social impact/success/failure, challenges to developing the economic/social project, and general perceptions of the role of entrepreneurship in addressing social problems in the *quartiers*). Sample codes from this phase included: “project’s social purpose is to highlight positive initiatives in the *quartiers*,” “social impact measured as number of quality jobs created,” and “entrepreneurship shouldn’t be encouraged among everyone because it’s risky.”

**Phase 2.** Based both on my observations over the course of my fieldwork and the initial reading of the transcripts, it quickly became evident that both entrepreneurs and supporting actors were involved in promoting a great variety of entrepreneurial initiatives across a number of sectors and with a broad range of social purposes. In this second phase, I therefore began consolidating the first-order codes into more abstract second-order themes based on similarities and differences across groups of codes (Strauss & Corbin, 1998), while nevertheless remaining close to respondents’ language. For instance, from the organization-specific measures of social impact/success/failure, I derived broader codes such as “social impact defined as changing image of *quartiers*”, “…improving economic conditions in the *quartiers*”, “…empowering disadvantaged individuals.”

During this phase, what had previously been a hunch became more readily apparent – that both entrepreneurs and supporting organizations talked about entrepreneurship in and for the *quartiers* in two rather distinct ways. One group of respondents tended to focus on entrepreneurship as a tool for individual-level empowerment, building of autonomy and self-confidence. These respondents were primarily concerned with encouraging personal transformation among
disadvantaged individuals (e.g., residents of the *quartiers*, the long-term unemployed, those on government assistance) through training in entrepreneurship and were less interested in launching or supporting high-growth start-ups. Conversely, another set of actors talked about enterprise creation as a functional goal in itself, particularly given its assumed impact on job creation. Among such entrepreneurs and supporting organizations, the focus was more on the potential of the project rather than the individual situation of the entrepreneur. Other notable differences were in how organizations talked about their identity, about the types of individuals/organizations they supported, and about their definitions and measures of success and impact. Notably, while some gave priority to their social purpose, others insisted that achieving social impact was impossible without first ensuring economic stability. Numerous respondents also commented on the duality of having their identities and/or actions assigned a *quartier* label and discussed the implications of identifying with such communities. Similarly, some organizations spoke of assigning greater priority to individuals rather than their entrepreneurial project, and of not being preoccupied with the founding of an enterprise (a defining feature of entrepreneurship) as an end goal in itself. On the other hand, others described being less concerned with the conditions of disadvantage of the individual and more with the commercial viability of his/her entrepreneurial project.

With these differences in mind, I went back and recoded the interview transcripts, paying closer attention to the key differences between these approaches to enacting entrepreneurship in the *quartiers*. Notably, this allowed me to identify what I refer to as the “defining elements” of varieties of social entrepreneurship: 1) dominant orientation (commercial/social), 2) degree of attachment to the *quartiers*, 3) target of impact (prioritization of individual need versus project potential), 4) theory of impact (functional versus ideational goals), 5) measures of impact.
(aspirational/pragmatic), 6) potential for job creation, and 7) direct actions towards the quartiers. Each of these elements is described in greater detail in the findings.

**Phase 3.** In the final phase, I returned to the transcripts and recoded interviews for a third time based on the above defining elements. What had initially seemed as a relatively binary division between entrepreneurial approaches naturally proved more nuanced upon closer examination. I took this into consideration, coding for both mixed and absent elements. In other words, if an interviewee spoke almost exclusively about selecting projects based on the individual entrepreneur’s needs, the defining element target of impact was labeled as “neediest.” On the other hand, if they discussed some selection criteria consistent with prioritizing individuals and other criteria that prioritized the project’s potential, the target of impact was labeled as “both.” In rare cases, a respondent refused to identify with either dimension of a defining element, in which case the assigned label was “neither.” The final results of this process are depicted in Table 1.5, which shows the profile of each interviewee according to the three primary elements (entrepreneurial identity, impact opportunity construction, and impact opportunity exploitation) and seven sub-elements (dominant orientation, attachment to quartiers, target of impact, theory of impact, measures of impact, potential for job creation, and direct action towards the quartiers).

Lastly, using the above chart, I grouped interviewees according to those that shared identical or similar profiles. I first grouped organizations based on their commercial/social identity, then according to their target and theory of impact. Respondents’ level of attachment to the quartiers and their described measures of impact proved less consistent across respondents and provided for variation within otherwise coherent profiles. In the final step of the process, I considered what single label could capture the similarities and differences across different groups of organizations.
From this emerged the five varieties of entrepreneurship (split, cultural, mediating, relational, scaling), each of which describes different mechanisms for using entrepreneurial activity to bring about positive change in the quartiers.

**DEFINING ELEMENTS**

The findings below are organized according to the three main elements and seven sub-elements that constitute the main differences between five distinct forms of social entrepreneurship and the way it is enacted in France’s most disadvantaged communities. Table 1.4 provides additional evidence of each element, and Table 1.5 in the appendix summarizes the specific combination of elements that corresponds to each entrepreneur or supporting actor interviewed.

---Insert Table 1.4 about here---

**Entrepreneurial Identity**

**Dominant orientation: commercial and/or social.** Hybrid organizations – such as private enterprises that pursue social goals – are often categorized according to whether their dominant identity is commercial or social (see Battilana and Lee, 2014 for a review). I therefore coded interviewee responses for whether respondents framed themselves and their organizational activities in primarily social, commercial, or mixed terms. Organizations clearly on the social spectrum described prioritizing their social mission over economic interests whenever a potential conflict between the two emerged. For instance, an organization that works closely with local authorities explained, “…there are municipalities that tell us…we’d like you to come more often…; but if we do that, there will be communities that we leave behind. So the idea is to…[stay] within our scope because it’s really [about] the social aspect and the dimension of proximity” (EC17). For this organization, the order of prioritization was clear. On the other hand, organizations that were labeled as hybrid along this sub-dimension described their social and
commercial activities as inseparable and mutually reinforcing. As EC13 – a successful work integration social enterprise – explained, “we’ve put in place a business model at the service of social performance. [The organization] wouldn’t exist today if there wasn’t social impact behind it. But inversely, we wouldn’t have created 18 integration jobs (*postes en insertion*) if there wasn’t a sustainable business model.” Although the latter was among the only respondents who explicitly mentioned tensions related to combining social and commercial identities, others described their organization’s purpose and the challenges it faced in ways that allowed a classification of their dominant identity as social, commercial, or both.

**Attachment to quartiers.** Respondents’ identification with the *quartiers* proved to be an important aspect of how they understood entrepreneurship’s role in bringing about social change in local communities. For some, establishing their business in the *quartiers* was a natural continuation of their personal commitment to their community. For others, location choice was driven by a professional identification with the *quartiers*, without necessarily implying an emotional attachment. For instance, several organizations without previous connections to the *quartiers* identified the dramatic 2005 riots referenced in the introduction as a call for deeper engagement with these communities. That is, such organizations developed a connection to the *quartiers* as a result of a specific historical event.

Community connection as an aspect of entrepreneurial identity was evident in more than whether entrepreneurs and supporting actors chose to engage with the *quartiers* for personal and/or professional reasons. Notably, respondents tended to have strong and divergent opinions on whether it made sense to identify “*quartier entrepreneurship*” as a distinct form of entrepreneurship. On the one hand, EC14 commented on the complex implications of singling out
entrepreneurs from the *quartiers* via a special entrepreneurial contest. He agreed that it was a good idea to cast residents of the *quartiers* in a positive light and disavow more common negative clichés about these communities. As he put it “for [the contest] to do the same thing [by creating positive clichés], why not? It creates some balance. Then again, I think there are other ways of appreciating all those young people that come from the *quartiers*, that start their own business and that don’t necessarily need to carry the label, ‘I come from a *quartier*.’” Reflecting on his trajectory, another laureate, who eventually moved abroad to set up his business, concluded that if he had to redo things, he would distance himself completely from the identifiable contest. As he put it, his target market was SMEs, “managed by people of a certain status, a certain social category […] I should have spoken to them in their language…and to completely make an abstraction of my origins and the fact that I come from a *quartier*” (EC11). More poignantly, he continued, “if your goal is to go to Silicon Valley, forget about your *quartiers*…it’s a dead body that you carry with you…but if your goal is to launch something that has local impact…then you have to be 100% in your geographic community” (EC11). According to these viewpoints, identifying with the *quartiers* can be a double-edged sword. More importantly, there may be tradeoffs between local commitment and global entrepreneurial ambitions. Similar to positive discrimination initiatives, assigning entrepreneurs the *quartier* label runs the risk of reproducing stigmatization and reaffirming group differences (Lamont and Molnár, 2002; Leslie, Mayer, and Kravitz, 2014), rather than fundamentally altering discriminatory perceptions.

Finally, discussions of identity in relation to the *quartiers* came up in reference to perceptions that many young *quartier* residents fail to identify with the entrepreneurial profile typically

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6Note that the same organization that runs the contest organizes a separate contest open to all potential entrepreneurs (i.e. not limited to the *banlieues*).
diffused in discourse and the media. As one respondent recalled, this can lead to processes of self-censorship, whereby youth stifle their entrepreneurial ambitions before they can even be explored. For instance, a successful entrepreneur from the quartiers commented, “when I was in my senior year of high school, no one ever spoke to us about business school [later noted as the only place where you learn about an entrepreneurial path] …because we couldn’t aspire to it, plus our parents wouldn’t have had the money and the necessary scholarship to cover all that” (EC6). Self-censorship at the individual level was also attributed to the limited view of entrepreneurs and entrepreneurship diffused in society. Thus, EC9 commented:

“When you say, ‘I’m an entrepreneur’, one immediately imagines you as having five assistants, [eating] at the restaurant every day at noon…and vacationing on a yacht […] We only hear about companies in the media when they sound dreamy. We hear about the companies in the CAC40 [the 40 largest publicly-traded companies in France] …you never hear about the artisans, the shopkeeper, the owners of micro-enterprises.”

Identification with the quartiers thus presents a dual challenge of simultaneously demonstrating an attachment and commitment to disadvantaged communities, while not having one’s identity reduced to the mere quartiers label. This duality can be even more problematic when considering that certain entrepreneurs perceived tensions between local commitment and more global ambitions.

*Impact Opportunity Construction*

**Target of impact – prioritizing need versus potential.** All organizations – whether for-profit, non-profit, public, or hybrid – face the fundamental question of how to define their target population (i.e. the appropriate beneficiaries of their services) (Lamont et al., 2014; Radoynovska, 2017). For organizations with a social purpose, such as social enterprises, the question of the target of impact is even more significant, as it fundamentally determines who is eligible for the social
goods and/or services the organization provides. For instance, in their study of the funding sources of micro-finance organizations, Cobb et al. (2016) find that funders either prioritized large, financially stable micro-enterprises, or smaller organizations unlikely to attract commercial funders, depending on whether the funders adhered to a financial or a development logic.

For my empirical context, this meant understanding not only the selection criteria used by supporting organizations, but also how entrepreneurs from the quartiers defined the target group of their own activities, as well as how they themselves experienced selection filters. In both cases, the target of support or impact could broadly be classified as whether supporting organizations and entrepreneurs prioritized the neediest organizations/individuals, or those with the greatest potential to succeed.

*Prioritization based on need.* Supporting organizations that adopted this prioritization approach stressed the importance of focusing on the person over their entrepreneurial project. Consequently, they used such elements as the motivation and personal situation of the entrepreneur to decide on whether and how to support them. For instance, a facilitator from one supporting organization described how they instruct jury members to evaluate entrepreneurial projects for entry into a training program: “…we explain to them – especially to the new [jury members] – that we don’t judge the project, because the value of [this organization] is not to judge the project, and not even the individual. What we try to evaluate is the motivation. Also with respect to their trajectory, will this program bring them something valuable?” (SO1).

Similarly, EC laureates offered their vision of the “right” targets for entrepreneurship-promoting initiatives. Typically, their perspective on the appropriate target of impact was expressed in the form of critiques of existing selection practices. As one entrepreneur argued, the
key for supporting organizations is to get out of the office and go where no one is going. During our interview, we sat on a bench at the entrance to a large social housing complex. Pointing to the towers behind us my interviewee continued, “you see behind me here, you see all those towers, the number of apartments; one can look at the problems, etc., [or] one can look at the entrepreneurial potential which is just enormous…Supporting organizations would be a lot more useful if they came to help these people; but that would mean reaching out to them” (EC1).

Improving outreach efforts to reach those most in need was the exact mission of one organization, which offers consulting for entrepreneurship, employment and job training to quartier residents via a mobile stand. The organization’s founder explained that a key characteristic of all of their actions was the atypical nature of their outreach efforts: the “capacity of our mediator teams to go day and night, between 10pm and 1am, to go to the staircases of buildings…to look for [job] candidates and prepare them. That’s where we make a difference. That’s where we differentiate ourselves from everyone else” (EC16). In their critiques of existing practices, entrepreneurs thus conveyed their own vision that the target of impact (i.e. the populations towards whom entrepreneurship-promoting efforts should be directed) were those individuals that needed it most and that were currently underserved or overlooked.

**Prioritization of project potential.** Conversely, another group of respondents clearly felt that support for entrepreneurship in the quartiers should be directed towards those individuals most likely to succeed in their entrepreneurial projects. Typical selection criteria thus included the financial state and maturity of the project, as well as its potential for long-term, sustainable growth as a precursor to achieving social impact. Notably, supporting organizations described evaluating the “enterprise’s likelihood of success” (SO2); whether the business plan was “well-developed, if
the suppliers have been well-identified, if there are already clients” (SO4); and whether the enterprise shows “potential to develop more than 1 million in revenues and 10 employees in the next three years” (SO5).

A particularly interesting case was that of one supporting organization committed to the development of the *quartiers*, which was originally founded on the “person-first” model (prioritization of individual over project) and later adopted a “project-first” approach. As one of the co-founders explained, shortly after the organization’s founding, it became evident that 98% of the enterprises they had funded in the *quartiers* were failing or had already failed. This led them to realize that the entrepreneur with the great idea wasn’t necessarily equipped to execute that idea, and that a lot more hand-holding would have been required to advance some of the projects. As a result, a year and a half later, the organization underwent a complete transformation. A dedicated management team was introduced, and they went from financing start up projects to only considering established organizations with growth potential. Accordingly, the mentality changed from what was essentially a philanthropic model (fund good ideas and energy, simply funding entrepreneurs from the *quartiers* is social impact in itself) to an investment and business model where the project had to be viable first and the social impact would follow (*Field notes, July 2014*).

Entrepreneurs who shared this prioritization logic critiqued current initiatives for not targeting projects that were most likely to succeed and for under-valuing excellence. As one EC contestant poignantly lamented:

> In reality, [the contest organizers] don’t try to identify the best […] it’s just a gigantic…industrial machine for the production of good consciousness…In my year…you’re talking about someone [himself] who has an elite diploma, who gave up a job in [a major city] to come start a business in the *quartiers*, who introduced [a new international market], who has a …philosophy. My year, the guy who won the contest was someone who sold organic
products from a van…You see, these are people who don’t understand that the best way to help people is to truly promote excellence. (EC12)

Thus, both supporting organizations and entrepreneurs fundamentally disagreed about whether achieving the greatest social impact through entrepreneurship was ultimately about targeting the most vulnerable and neediest individuals (with less regard for the viability of their entrepreneurial project), or the projects with the greatest potential for success – arguably led by individuals with greater human, financial, and social capital. Whereas prioritization logic answers the question of who should entrepreneurship be encouraged among, respondents’ theory of impact describes how entrepreneurship is assumed to effect positive social change.

**Theory of impact – entrepreneurship’s functional v. ideational purpose.** Often related to their dominant target of impact, respondents also articulated what might be called their “theory of change” with regard to the role of entrepreneurship in producing social impact. Without using such terms explicitly, they reflected on whether the purpose of promoting entrepreneurship in the *quartiers* was primarily functional – i.e. to encourage the founding of new organizations and thereby contribute to job creation – or ideational, with the goal of spreading the “entrepreneurial spirit” and using the latter as a means to achieve other goals, such as mobilizing individuals and transforming the image of the *quartiers*. In the latter case, the individual’s personal trajectory was deemed more important than the outcome of the entrepreneurial adventure, notably whether or not it resulted in the founding of a new venture. By contrast, a functional theory of impact defined success in terms of starting and growing a successful business with high job creation potential, with the individual’s trajectory ultimately less important than the outcome of entrepreneurial endeavors.
“Entrepreneuring your life” – ideational entrepreneurship. The theory of impact that treats entrepreneurship as a tool for individual and societal transformation aligns naturally with notions of empowerment, seeking to capitalize on entrepreneurship’s mobilizing and emancipatory potential (De Clercq and Honig, 2011; Rindova et al., 2009). One serial entrepreneur – founder of multiple social and commercial enterprises – described his biggest take-away from his vast experiences in the following terms:

One of the conclusions that has helped me advance in my career is that it’s all good to work with organizations … but I’m convinced that real change is at the individual level. So you have to work on individuals, perhaps more than on organizations. I believe a lot less nowadays in the power of organizations – be they social enterprises or others. Of course it’s great, they give good results etc. That being said, for me the most important change is human. (EC8)

SO12 also confirmed that his organization’s objective wasn’t necessarily that all beneficiaries launch a business but rather that they “adopt this entrepreneurial spirit, so that even if they go back to salaried employment, they’ll be entrepreneurial employees.” Another director of a supporting organization explained:

What we measure… what we aim for is for people to be reintegrated economically and socially. If we achieve this via [their] founding of an organization, which was their goal when they first approached us, well that’s even better, that’s also great. But for others, the entrepreneurial project doesn’t materialize and they bounce onto something else. Namely, for a certain number it’s salaried employment… And that’s a success in the sense that the objective of social reintegration has been achieved” (SO4).

Importantly, although the above emphasize individual-level change, respondents generally understood impact at this level as a building block for broader social transformation (Portes and Yiu, 2013). For instance, the director of SO22 explained that those who, having gone through the entrepreneurial training program “find work more easily, decide to go into training; those are people that make personal progress and so, obviously, they make the society advance as well”
(SO22). Behind these comments lies the notion that whether or not a person becomes a successful entrepreneur (in terms of launching a high-growth business) is less important than what the entrepreneurial mindset can contribute to individual empowerment and – in the aggregate – to societal change.

**Entrepreneurship for growth – functional entrepreneurship.** Contrary to the ideational approach, promoting entrepreneurship as an end in itself focuses on entrepreneurial projects that have the potential to grow, succeed, and create jobs. As one entrepreneur explained, “…it’s useless to open up a pizza shop like three quarters of the guys that…that don’t know what to do. I mean a kebab-type pizzeria; there are already thousands. The least of things would be to do a market study…if I really want to open a pizzeria, what can I do? […] And if I really want to be in the food business, then what can I do that can actually succeed, which doesn’t involve pizza, or kebabs or Japanese” (EC14). In strikingly similar language, EC13 also commented that “if entrepreneurship in the quartiers is about opening up a kebab stand, it’ll succeed. I’m not so concerned about its economic viability, but in terms of job creation […] even if it…creates one or two jobs, [its] goal isn’t to employ fifty people. And in any case, they couldn’t…unless it became a kebab industry giant” (EC13). For respondents that adhered to this theory of impact, the fundamental goal of entrepreneurship was to launch a thought-out, successful business with the ambition and potential to create employment in the quartiers. Unlike proponents of the ideational theory of impact, entrepreneurs and supporting organizations that upheld the functional view simply didn’t consider that engaging in any form of entrepreneurship – such as opening up the next kebab or pizza shop – produced sufficient social impact in itself. Below, I consider more specifically how entrepreneurs and supporting organizations described and measured the social impact of their activities.
**Impact Opportunity Exploitation**

**Described measures of impact – aspirational v. pragmatic.** When asked how they would define their organization’s success and impact, and whether they had developed concrete measures to evaluate the latter, respondents tended to evoke two types of measures. On one hand were what might be called aspirational measures – reflecting long-term, difficult to quantify impact, unlikely to appear in an annual report to funders. On the other hand, pragmatic measures referred to short to medium-term outcomes that could be objectified and presented in an Excel spreadsheet.

*Aspirational measures of impact.* When invoking aspirational measures of impact, respondents typically spoke of different forms of individual transformation and (re)integration into society or societal change that could be achieved through entrepreneurship, therefore closely related to an ideational perspective on entrepreneurship and theory of social change. For instance, SO7 poetically compared entrepreneurs and job seekers: “job seekers are like gold seekers. They look for the gold pieces that already exist. The entrepreneur is an alchemist. It’s he that makes the gold. And all while making gold, he transforms himself.” Other supporting organizations described success in terms of helping individuals reach their own conclusions about the prospects of their entrepreneurial projects. As one facilitator explained, a possible outcome at the end of the awareness-building phase of their flagship program is that “the young person realizes that their project isn’t feasible…but it’s he that comes to this realization, it’s not the report, [or] the adult that saw him during the first interview and told him “No, Sir. You’re…out of your mind” (SO23).

Beyond the individual level, organizations similarly described success as transforming society, transforming the image of the *quartiers*, and building social capital. For instance, an EC laureate involved in mediating between *quartier* residents, employers, and public authorities
described how his organization trains recruiters “to evaluate the ‘know-being’ and the willingness to act of the individual before them. I purposefully say ‘know-being’…not ‘know-how’ […] So we teach them how to decode this in the individual they have before them. Once they learn to decode, they are less fearful” (SE41). Other organizations focused on transforming the image of the quartiers through entrepreneurship, notably through increasing the visibility of positive initiatives by local residents. A media company engaged directly in this dimension of societal change noted, “there are plenty of examples [of the quartiers] when you turn on the TV; things [seem to be] getting crazy; they’re in flames, robberies, Islamism this and that…. So the idea is really to highlight all the positive examples – whether it’s in entrepreneurship, in [people attaining] key positions, in sports… (EC17). Third, initiatives aspired to measure their impact in terms of promoting understanding and building community social capital. As one entrepreneur commented, “between tolerating one another – which is a relative minimum – and loving each other – which is a relative maximum, we can make progress, we can cultivate exchange…[P]eople talk about living together [vivre ensemble]. I think that’s already outdated. The question now is how do we grow together [grandir ensemble]” (EC12). Notably, although most respondents acknowledged that aspirational forms of impact measurement were difficult (if not impossible) to quantify and to report to key stakeholders, they nevertheless remained committed to defining success in these terms.

**Pragmatic impact measures.** Alternatively, respondents also described the success and impact of their entrepreneurial or entrepreneurship-promoting activities in pragmatic terms, such as expanding economic opportunities (job creation) within communities. In the short term, this translated into measures of “positive employment outcomes” (whether individuals found a job,
went into self-employment, or went into job-related training), “number of jobs created or preserved” and “number of enterprises created”. In contrast to the rather crude measure of “job creation or preservation” (which essentially counts existing employees who weren’t laid off), several organizations invoked deeper measures of the quality and sustainability of jobs created. For instance, SO17 advocated for both a qualitative and quantitative measurement approach:

We look simultaneously at the jobs created and the quality of jobs…To the extent possible [we fund organizations that] avoid precarious work, part-time work or seasonal work…And then we also look a lot at ‘who is the job for’? Knowing that it’s much easier to find a job when you have a master’s degree than when you have no education, in a remote rural zone….So we look at the organization’s efforts to employ people that are really excluded from the labor market…;we consider that it’s not just the element ‘I’ve created three jobs’ that justifies our [financial] engagement.

As with other previously-described dimensions, not all interviewees consistently adopted either an aspirational or a pragmatic approach, with many describing their measurement of impact in both terms. It is nevertheless noteworthy that among entrepreneurs from the *quartiers*, none mentioned purely pragmatic impact measures. Also noteworthy is that numerous organizations *described* their theory of impact and impact measurement in more aspirational terms but nevertheless *reported* highly tangible measures in annual reports to outside stakeholders. This underscores the importance of asking entrepreneurs and supporting organizations to articulate their definition and measures of success and impact rather than relying exclusively on officially reported measures, as it surfaces any disconnect that may exist between what actors aspire to achieve through entrepreneurship and what they feel compelled to report to external audiences.

**Organizational potential/ambitions for job creation.** To the extent that the discourse of entrepreneurship in the *quartiers* typically emphasizes job creation (Shane and Venkataram, 2000), it’s important to ask how supporting organizations and entrepreneurs frame their ambitions (and
capacity) with respect to job creation. Put simply, among my interviewees, there were those that had relatively low ambitions (securing a job for themselves and at most several other people via their organization); medium ambitions (for entrepreneurs, generally creating more than 10 jobs via their organization; for supporting organizations, supporting self-employment at scale); or high ambitions (for entrepreneurs, creating considerable employment beyond 10 hires; for supporting actors, funding other organizations that themselves have scalable job creation capacity).

In the first group, respondents were content if their entrepreneurial activity resulted in a job for themselves and served as a stepping stone for a handful of other people. For instance, the director of EC10 explained that “of the tens of people that volunteered for the organization, today some of them are in television, are producers, others are in radio, on the web, others have launched their own communication companies.” Another entrepreneur lamented the lack of understanding among supporting organizations, banks and selection committees for the fact that the average quartier entrepreneur may just want to launch something that employs himself and maybe a few other people. He concluded, “there’s too much emphasis on the project – often [with the idea] that the guy is going to start a [top 40 company] and hire 500 people. No, you have to bring things back to the human scale and reposition the person at the heart of the project” (EC17).

Among those organizations with medium potential/ambition to create jobs are those like SO7, who primarily support entrepreneurship in the form of self-employment but are able to do so at scale, operating multiple branches across the Ile de France region. Finally, those with high ambitions and potential for job creation were typically supporting organizations (i.e., funders or impact investors), who multiplied their job creation impact by investing in organizations whose own job creation potential was scalable. Describing one of the non-profits they fund, SO20
explained, “it’s a non-profit with very good results…I think [last year] for instance…it was more than 18100 individuals that were financed….11700 jobs created just [that year]. More than 6000 jobs preserved.” Since job creation was the most common and transversal measure of impact across the diverse organizations interviewed, it is important to acknowledge nuances in different groups’ divergent expectations about the scale at which they could contribute to reducing unemployment.

**Direct action towards the quartiers.** Although my method of interviewee selection targeted those supporting organizations and entrepreneurs whose actions were presumably tied to the quartiers, surprisingly less than half of the respondents directed the majority of their activities and/or impact towards these disadvantaged communities (see Table 1.5). To identify whether organizations’ actions were directed primarily towards the quartiers or not, I relied on two main strategies. For organizations for which annual reports or other summary documents were either publicly available or made available to me via respondents, I examined whether the majority of beneficiaries and/or the majority of organizational actions (e.g., entrepreneurship awareness-building activities, branch locations) were oriented towards the quartiers or quartier residents. Thus, whereas 82% of the beneficiaries and 75% of awareness-building activities were from/in a quartier for SO22 (annual report), under 10% of those who participate in SO2’s entrepreneurship-promoting activities are from a disadvantaged community (annual report, 2016). Where such documents weren’t available or accessible, I instead used data from interviews regarding the organization’s geographically targeted actions or selection criteria. For instance, SO18 used belonging to a quartier as a first filter to determine whether organizations where eligible for its different support tools. A member of the organization explained that they ask applicants in an initial survey, “are you located in a quartier? Yes, no, don’t know. From there, all the ‘nos’ are excluded. Then we take an Excel sheet
[with the addresses] and check on the [government website] …and it tells you right away if it’s in an official quartier or not. Since, after all, it’s a determining factor for access to our program, it’s pretty quick.”

On the other hand, SO2 acknowledged that with respect to having a connection to the quartiers, they can’t “require it of all the businesses [they support] …since…if I have a construction business and I say I’m going to employ youth from the quartiers, I have a big advantage over someone who creates jewelry, a website, who operates from her apartment.” These differences in the extent to which organizations’ or entrepreneurs’ direct actions and impact were connected to the quartiers thus defines the third sub-element to the aspect of impact opportunity exploitation. The final section considers how, together with impact opportunity recognition and entrepreneurial identity, these defining elements explain the differences between five varieties of entrepreneurship for social change which emerged from the data.

**VARIETIES OF ENTREPRENEURSHIP FOR SOCIAL CHANGE**

The above-described three defining elements and seven sub-elements address this paper’s second research question, namely what explains differences in the distinct forms of social entrepreneurship that are enacted in or for the quartiers. Below, I bring these elements together to address the broader first question, which is what those different forms of (social) entrepreneurship are in the first place. Notably, I show that different combinations of the sub-elements provide a typology of entrepreneurial initiatives aimed at bringing about positive social change in the quartiers. The five broad types of (social) entrepreneurship are described in greater detail, in order of their increasing potential/ambition for job creation. Table 1.5 in the appendix provides a summary of the profile of each organization interviewed according to the seven sub-elements and the corresponding type of social entrepreneurship in which they were engaged.
Split (Social) Entrepreneurship

The organizations with the lowest ambitions and potential for job creation were those that could be characterized as engaging in split entrepreneurship. Among the five organizations that displayed this profile, all were founded by entrepreneurs from the quartiers in a domain that corresponded to their professional expertise and – in some cases – passion, without particular social change aspirations. In terms of entrepreneurial identity, split entrepreneurship was thus identified predominantly with a commercial orientation (rather than social or both) and led by entrepreneurs with personal or no particular attachment to the quartiers. In constructing impact opportunities, respondents engaged in split entrepreneurship tended to focus on clients or opportunities with the greatest potential for growth and espoused an ends-based or mixed theory of social impact. Finally, with respect to impact opportunity exploitation, respondents in this category used a combination of aspirational and pragmatic measures to describe their potential success. Interestingly, although their entrepreneurial activity wasn’t directly related to effecting social change in the quartiers, several split entrepreneurs were nevertheless engaged in social impact activities on the side (either through founding non-profits, being active in local politics or both).

This type of entrepreneurship is exemplified by EC7 – an enterprise founded in the same purely commercial market in which the entrepreneur was previously employed and whose stated goal was to “become a recognized leader in the industry.” Despite not attributing distinct social goals to the entrepreneurial activity itself, the founder of EC7 was active in promoting entrepreneurship among disadvantaged quartier residents through non-profit side activities not related to their business. A defining characteristic of split entrepreneurship is therefore that it combines purely commercial entrepreneurship with unrelated community engagement.
Cultural (Social) Entrepreneurship – changing perceptions

Eleven organizations could be categorized as engaging in cultural entrepreneurship, a form of social entrepreneurship that relies on pursuing activities in the cultural domain as a tool for transforming the image of the quartiers and its inhabitants. Organizations with this profile identified predominantly with a social (rather than commercial or mixed) purpose and had either a purely professional or both professional and personal attachment to the quartiers. In terms of constructing opportunities for social impact, organizations that pursued cultural social entrepreneurship prioritized the neediest individuals as their target of impact and adopted an ideational theory of impact, in which the culturally transformative potential of entrepreneurship was deemed more essential than its ability to promote direct economic development. With regards to impact opportunity exploitation, this form of social entrepreneurship relied on aspirational – rather than pragmatic – measures of impact, and implied different job creation potential depending on whether the actor was a supporting organization or an entrepreneur from the quartiers. Notably, the latter tended to have low job creation impact, whereas supporting organizations engaged in cultural social entrepreneurship could aspire to medium impact due to their operations at scale.

An exemplar of an organization engaged in this form of social entrepreneurship is the previously described EC10. As a citizen-led media non-profit, the organization’s impact goal was to bring a voice to quartier residents as well as encourage exchanges between the quartiers and the “outside world”, all while remaining financially independent from public funding. Despite the organization’s relatively low job creation potential in the quartiers (the former director was content with a handful of volunteers finding jobs in the media and entertainment sector), the organization’s ultimate measure of success was its ability to encourage dialogue between communities and contribute to transforming the image of the quartiers by giving voice to inside perspectives.
Mediating (Social) Entrepreneurship

As the name suggests, this kind of social entrepreneurship involves using entrepreneurial activity to mediate between individuals and the labor market, in part by encouraging individuals to become entrepreneurs, but also through more traditional means of helping them access employment. The potential and ambitions for job creation of organizations engaged in this kind of SE can be described as medium, since organizations often work directly with individuals and thus have limited scalability. Organizations that pursue this form of SE identify predominantly with a social or mixed orientation and have purely professional or also personal attachments to the quartiers. Their impact opportunity construction focuses on targeting the neediest individuals, and they adopt a largely ideational theory of impact.

Interestingly, although the ultimate goal of actors engaged in mediating social entrepreneurship is to (re)integrate disadvantaged individuals in the labor market, the role of entrepreneurship in this process is more indirect than direct. That is, encouraging entrepreneurship among quartier residents is more about instilling in them an entrepreneurial spirit and transferable attributes (e.g., motivation, planning, problem-solving) than can be leveraged in traditional employment as well as entrepreneurial contexts. A typical example of this form of social entrepreneurship is SE02, previously described as the organization that uses mobile vehicle units to improve outreach and provide counseling to the “hardest to reach” disadvantaged communities on topics of entrepreneurship, employment and training.

Relational (Social) Entrepreneurship

Similar to mediating social entrepreneurship, relational social entrepreneurship relies on bringing different actors together with the purpose of effecting social change in the quartiers. However, unlike the former, organizations that engage in this form of SE tend to have higher
aspirations and potential for job creation, because rather than working directly with individuals, they connect groups of actors (e.g., large businesses, federations, government bodies, networks of social entrepreneurs). Organizations with this entrepreneurial profile tend to identify as social or mixed actors and exhibit a variety of attachment forms to the *quartiers* (professional, professional and personal, neither). Their prioritization logic targets actors with high growth potential, and their theory of impact is primarily ends-based. In terms of impact opportunity exploitation, *relational social entrepreneurship* relies on a mix of aspirational and pragmatic measures of success and impact.

An exemplar of an organization that pursues *relational social entrepreneurship* is SO18. The latter’s purpose is to match established businesses in the *quartiers*, which lack market visibility, to large corporations who are unaware of the offer in these communities. For organizations that engage in this form of social entrepreneurship, the “purely” entrepreneurial dimension (i.e. establishing beneficial business connections, developing existing businesses and markets in the *quartiers*) takes on great importance compared to considerations of more indirect individual or societal transformation.

*Scaling (Social) Entrepreneurship*

Lastly, the group with arguably the largest potential and ambition for job creation engage in what I call *scaling social entrepreneurship*. Eleven of the thirteen organizations that fit this profile are supporting organizations, with the majority (quite logically) intervening at the development rather than emergence phase of the entrepreneurial lifecycle. That is, by virtue of supporting established organizations that already have a proven track record of social impact (as opposed to emerging entrepreneurs), *scaling social entrepreneurship* hopes to achieve a leveraging effect.
Organizations engaged in this form of SE identified primarily as social or mixed actors and had mostly professional or no specific attachment to the quartiers. Interestingly, although nine of the thirteen organizations in this category are run as for-profit enterprises, only one identified as a purely commercial entity. That is, virtually all organizations engaged in scaling social entrepreneurship articulated the distinctly social dimension of their actions. Their target of impact included both the neediest actors and those with greatest potential (in rare cases the same organization supported both profiles), and they tended to espouse an ends-based theory of impact. Perhaps logically given their focus on scalability, these organizations also relied primarily on pragmatic, quantifiable measures of success that could easily be compared across the actors they supported or considered their beneficiaries. SO20 is an exemplar of this entrepreneurial profile. The supporting actor only works through established organizations on the ground in the quartiers (i.e. provides no direct support to individual entrepreneurs), by reinforcing the actions of local nonprofits as well as large, national organizations devoted to promoting social cohesion, education, and economic development in these communities.

DISCUSSION

In this paper, I have argued for rethinking what success and social impact mean in the context of promoting entrepreneurial initiatives to address social problems in disadvantaged communities. Specifically, I showed that whereas encouraging (social) entrepreneurship in the quartiers of Île de France is often presented as a monolithic strategy for job creation and reducing unemployment, local actors enact (social) entrepreneurship in a variety of distinct forms. Specifically, different groups of supporting organizations and entrepreneurs in the quartiers engage in split, cultural, mediating, relational and scaling (social entrepreneurship), which are constituted through distinct combinations of entrepreneurial identities, impact opportunity constructions and impact
opportunity exploitation. These findings address the paper’s driving research questions: 1) what are the different forms that (social) entrepreneurship takes in disadvantaged communities? And 2) what explains these differences? Figure 1.3 summarizes the parts of the argument in a dynamic model.

---Insert Figure 1.3 about here---

In this sense, the specific example of socially-motivated entrepreneurship in the banlieues can be seen as a peculiar case of entrepreneurship in resource-scare environments. However, rather than being primarily limited by material resources, entrepreneurs in such communities often face scarcity of more cultural resources, including cultural acceptance of multiple entrepreneurial profiles and definitions of success. In other words, the importance of social goals – in addition to conventional economic goals – to ventures founded in the quartiers or by quartier residents stretches definitions of the very purpose of entrepreneurship, the measure of entrepreneurial success, and the interpretation of venture failure. In classic entrepreneurship, the purpose is primarily to found and scale ventures; success is measured in terms of the venture’s financial sustainability and growth, and failure to sustain or grow the venture is often seen as a learning opportunity to be applied to future (hopefully more successful) entrepreneurial projects.

Among the entrepreneurial projects discussed in this paper, all of the above definitions are loosened to reflect a more multi-faceted reality. The purpose of entrepreneurship in such “resource-scarce” environments is as much about founding and scaling new ventures as it is about restoring agency to community members and changing stereotypes about the community. Similarly, entrepreneurial success encompasses a far broader range of outcomes, including: motivating individuals to find paid employment, to come to their own realization about the
improbable success of their proposed venture, or to start a business that has very weak growth potential. Accordingly, failure itself carries more nuanced meanings. The decision to abandon an entrepreneurial project or the lack of ambition to scale it are thus interpreted as mature decisions on the part of individuals who have regained some autonomy. Although the venture itself may never materialize, expand, or may close down (failed outcomes from a conventional entrepreneurship perspective), the steps taken in the process towards individual, community or societal transformation can be deemed a success. Ultimately, the most important outcome of promoting entrepreneurship in the quartiers and within resource-scare communities more broadly may indeed be the reframing of entrepreneurship as a less daunting, more accessible endeavor with multiple acceptable profiles, trajectories and outcomes.

Indeed, the above is reflected in the findings regarding how entrepreneurs in the quartiers recognize and exploit opportunities. In conventional entrepreneurship, the pursuit of market opportunities implies selecting only the “best”– those most likely to materialize into financial success, the capture of market value, and the venture’s growth. A much different evaluation and selection process operates among entrepreneurs and supporting organizations in the quartiers, who are attuned to the social impact and implications of their activities. Notably, the distinctions revolve around the “what” (opportunities for what?) and the “how” (opportunities to be exploited how?).

The data regarding entrepreneurial actors’ determination of the target of impact as predominantly needs versus potential-based speaks to the “what” question. That is, entrepreneurial actors in the quartiers clearly recognize that opportunities exist to create financial value (target based on potential) but also social impact value (target based on needs). For some, these distinct
opportunities were better pursued in isolation (e.g. through split entrepreneurship), whereas for others they were compatible within the same venture or entrepreneurial activity (e.g., through relational entrepreneurship). Moreover, actors’ functional versus ideational theories of impact further demonstrate that entrepreneurs in disadvantaged communities construct opportunities that operate in fundamentally different ways. Whereas the functional theory of impact recognizes opportunities to do (carry out) entrepreneurship, the ideational theory of impact recognizes opportunities to use entrepreneurship towards distinct social ends. Relative to the notion of opportunity recognition in classical entrepreneurship, this suggests both a broadening of what kinds of opportunities (market, social) can be pursued, as well as recognition that multiple kinds of opportunities can be pursued simultaneously, in concert, and through different means.

The findings also offer new insights regarding how opportunities are exploited. Here, actors’ measures of impact are particularly telling – notably the extent to which the creation and growth of a new venture is a key indicator of success. In classical commercial entrepreneurship, opportunity exploitation can be determined by the extent to which an entrepreneur puts an opportunity into action (e.g, expands to a new market) and the result of this exploitation on the venture’s success. This was the route taken by some actors in the quartiers. However, in stark contrast, other actors exploited opportunities for social impact by explicitly steering away from the path of venture creation and growth. This was the case, for instance, with several supporting organizations whose measure of success was whether participants in their entrepreneurship training programs regained agency, went into employment, training, or started a business. Regaining agency also meant guiding disadvantaged individuals to come to the conclusion that their idea for a venture was unrealistic, or that they didn’t even want to be entrepreneurs in the first
place. In this sense, opportunity exploitation takes on unique meanings in the context of entrepreneurship in disadvantaged communities, as acting on social impact opportunities may involve explicitly not pursuing traditional market opportunities for venture creation and growth.

**Implications**

Although the present data do not speak directly to this question, each form of (social) entrepreneurship also carries distinct implications for the viability of an entrepreneurial approach to effect positive social change – notably, by decreasing inequalities – in the quartiers. What is often referred to as “the banlieue problem” (see Kirszbaum, 2015) captures the range of disparate conditions that exist in the quartiers compared to “normal” or average French communities. These include disparate rates of (un)employment, poverty, education levels, as well as more intangible elements such as geographic isolation and social exclusion. Efforts to solve the “banlieue problem” thus essentially center on reducing community-level territorial inequalities and making the quartiers into non-distinct communities “just like the rest”.

When asked directly whether they thought entrepreneurship was a viable solution to the “banlieue problem,” unsurprisingly, the respondents interviewed had one of three positions: absolutely yes, categorically no, and “only for some people some of the time”. Among the first group were those convinced that “especially in France…entrepreneurship is the real social elevator…the only path” (EC7), and that the “the language of business opens horizons and doors, and so being involved in entrepreneurship is also about breaking down barriers thanks to a common language” (EC10). By contrast, others definitively saw entrepreneurship as part of the problem in the quartiers. SO13 distressingly evoked the riskiness of this “solution”: “the problem is […] we’re sending [people] to the slaughterhouse. [We tell them] ‘Go on, launch your business’…[they] move out of the unemployment figures, that’s great. But [they’re] not entitled to anything
anymore…And so we’re throwing people into an economy of risks. We’ll pay for it one day.” The third group engaged with the possibility that entrepreneurship could offer a solution to problems in the *quartiers* under certain conditions, keeping in mind a number of important barriers. As one interviewee summarized “after all, we can’t just be the ayatollahs of entrepreneurship. It’s all a matter of dosage” (SO15).

---Insert Figure 1.2 about here---

Figure 1.2 suggests that entrepreneurship’s potential to reduce inequalities depends both on the *form of social entrepreneurship* and the “positive change outcome” being considered. If we map each of the five varieties of social entrepreneurship along two dimensions – a) their ambition and potential for job creation, and b) whether their actions and impact are directed explicitly towards the *quartiers* – several interesting observations can be made. First, *split social entrepreneurship* has both low job creation potential and no direct impact on the *quartiers*. Again, it is important to remember that several entrepreneurs engaged in this form of (social) entrepreneurship nevertheless carried out side activities that *did* have direct impact on disadvantaged communities. Yet, their entrepreneurial activities themselves were not integral to this social change model. Second, among organizations engaged in *cultural social entrepreneurship*, there are those with medium job creation impact but no direct activity in the *quartiers* (supporting organizations) as well as those that do have direct impact on disadvantaged communities but also lower job creation potential (organizations founded by *quartier* residents). Scaling (social) entrepreneurship, on the other hand, implies high potential for job creation, but the vast majority of organizations engaged in this form of SE do not work exclusively within the *quartiers*. 
The two varieties of SE that therefore seem most suited to result in considerable job creation in the quartiers are mediating and relational forms. Note that when considered from the perspective of different combinations of entrepreneurial identity, impact opportunity construction, and impact opportunity exploitation, job creation itself becomes a more multi-faceted goal. In other words, from the perspective of varieties of SE, even job creation implies dimensions beyond purely economic considerations of reduced unemployment rates. Notably, it can also bring about positive social change through increasing the autonomy of quartier residents, strengthening the local fabric of social capital, and conveying a more positive and dynamic outside perception of the quartiers.

The findings therefore suggest that organizations that act as connecters within the community (mediating and relational social entrepreneurship) might be better positioned to address inequalities across the quartiers compared to those that either engage in direct action with individuals or work indirectly to scale the activities of existing organizations.

Beyond the broader questions of entrepreneurship’s role in addressing inequalities, the paper also speaks to a fundamental dilemma common to many initiatives aimed at effecting positive social change, including addressing poverty, inequality, social exclusion, and climate change. Given finite resources, when should efforts be directed towards improving the conditions of the neediest, and when towards those most likely to succeed? The options need not be mutually exclusive, but the reality in France is that they often are. Although I have described a typology of five varieties of entrepreneurship, in their most rudimentary form, they can be distilled to two basic approaches: those that target the neediest, adopt an ideational theory of impact, and hold aspirational measures of success (such as individual empowerment and changing the image of the quartiers), and those that target actors with the greatest potential, ascribe to an ends-based theory.
and rely on pragmatic measures of impact (such as job creation defined by pure numbers). Interviewees – especially those targeting the neediest – typically spoke of these approaches in dichotomous terms almost as a matter of principle. Rejecting “the best” was justified on the assumption that the latter would always find someone else to turn to. Ultimately, this tends to separate entrepreneurial initiatives into those that cater to distinct populations (the needy versus the best), with little porosity between categories, leading to social inclusion at different speeds.

This dilemma echoes finding in the literature on the relationship between entrepreneurship and inequality. On one hand, self-employment (most often linked to necessity entrepreneurship and the kind promoted in the ideational theory of impact) has been shown to have little to no impact on overall economic growth and community development (Naudé, 2013; Stam and Wenneberg, 2009; Terjesen et al., 2015). Encouraging self-employment among the most disadvantaged quartier residents is thus unlikely, by itself, to fundamentally transform these communities into communities “just like the rest” (although see Portes and Yiu, 2013). On the other hand, promoting the kind of entrepreneurship that relies on growth (often associated with opportunity entrepreneurship and akin to the ends-based theory of impact) has typically been shown to increase, rather than decrease, inequalities (Perry-Rivers, 2014). Emphasizing the ends-based approach could thus drastically improve conditions for certain quartier residents at the expense of others, and to the detriment of reducing overall inequality within disadvantaged communities.

For instance, studies from the microfinance literature suggest that the push towards growth has led to client “upscale” (Armendariz & Morduch, 2010), such that microfinance organizations choose to work with those easiest to reach (Simanowitz, 2011) and ultimately the less disadvantaged of the poor (Epstein and Yuthas, 2010). A national study of entrepreneurship in the
quartiers confirms that the most educated entrepreneurs in these communities are significantly more likely to receive public funding and support for starting a business compared to the least educated (who are, arguably, the most in need) (Opinionway, 2010). Kim et al (2006) similarly found that cultural and financial capital were not significantly important, whereas human capital (including education and prior experience) was determinant for entrepreneurial start-up intentions. Moreover, several EC laureates with greater ambitions for entrepreneurial growth eventually moved abroad. While such mobility can be an unequivocal sign of success for those individuals and serve as a model for others, it also implies a drain of talent and economic vibrancy away from the disadvantaged communities they previously inhabited. Initiatives aimed at reducing inequalities among certain groups, may thus inadvertently contribute to widening disparities within the disadvantaged group. As De Clercq and Honig (2011: 354) note, “the integration of disadvantaged persons into entrepreneurship cannot be addressed in isolation from acknowledging the power-laden mechanisms these persons confront.”

Second, by focusing on job creation as the holy grail and key indicator of success for entrepreneurship-promoting policies, policymakers may be undervaluing a host of entrepreneurial initiatives that have low job creation potential but that nevertheless fulfill crucial roles as empowerers, image-changers or mediators. Perhaps more ironically, even these actors are compelled to officially report job creation measures, despite the fact that the organizations’ theory of social impact addresses potentially deeper – albeit harder to measure – sources of inequality, such as self-censorship and lack of cultural codes among quartier residents. Given persistent pressures to reduce public budgets and to support only initiatives that can “prove” their value per funds invested (e.g., through social impact bonds), the findings encourage deeper consideration of
the plurality of entrepreneurial activities and mechanisms of change hidden behind the numbers. For instance, Ruebottom (2011: 179) notes that had studies of Grameen Bank included increase in client income as its only measure of success, it would have provided a very limited understanding of the organization’s full impact. The author thus encourages researchers to not “prematurely and unconsciously close off our conceptions of [social entrepreneurship’s] success”. Similarly, Ebrahim and Rangan (2014: 119) comment that “it is not feasible, or even desirable, for all organizations to develop metrics at all levels of a results chain, from immediate outputs to long-term societal impacts” and that some social enterprises would be better positioned to simply measure achievement of their immediate mission and objectives, leaving evaluation of systemic impact to funders and foundations.

Contributions to Theory

Given these considerations, the paper seeks to make several contributions to theory. First, it builds on recent organizational and entrepreneurship scholarship examining the role of organizations – particularly (social) enterprises – in effecting positive social change (Ferraro et al. 2015, see George et al., 2016; Mair et al., 2016; Stephan et al., 2016). Although entrepreneurship scholars are increasingly recognizing the non-economic dimensions of entrepreneurship – including their potential to mobilize, transform, and emancipate (De Clercq & Honig, 2011; Rindova et al., 2009) communities and individuals – the study of entrepreneurial activities in pursuit of social impact has largely been dominated by scholars of social entrepreneurship. Unlike existing studies in this domain, I make no a priori assumptions about organizations’ desired social change outcomes nor impose an a priori identification of social entrepreneurs/enterprises – instead allowing both to emerge from the data. That is, by studying a broad range of entrepreneurial ventures embedded in disadvantaged communities (rather than selecting recognized or self-
identified social enterprises) this paper highlights that when we take context seriously, the distinction between social and commercial entrepreneurship is not only blurry but largely insignificant. In other words, it likely matters less whether an organization’s activities are recognized as “social” against an accepted standard and more whether it operates to change societal perceptions, to mediate between individuals and markets, to bring together various actors, or to leverage and scale existing impact. By introducing the notion of *varieties of social entrepreneurship*, the paper thus furthers our understanding of how different enterprising models can effect positive change at different levels.

Relatedly, a lot can be gained by examining entrepreneurship’s wide range of opportunities for social impact recognition and exploitation – not just quantifiable impact measures such as growth, development, and reductions in unemployment, but also qualitative outcomes such as empowerment, personal transformation, the creation/strengthening of social ties, and changes in attitudes and stereotypes. Beyond simply identifying new organizational measures of impact, the paper contributes to a broader understanding of how actors think about their role in addressing social problems, notably through distinct theories of social impact that don’t map neatly onto social, commercial, and mixed entrepreneurial identities. Highlighting the multifaceted nature of social change outcomes provides a more complete picture of how entrepreneurship can contribute to positive social change in the long run, even though its visible effects may appear marginal in the short run.

Second, the paper builds on recent efforts to bring together theories of opportunity recognition and exploitation from entrepreneurship, and identity theory to social-purpose ventures. While sharing the literature’s emphasis on the unique aspects of (impact) opportunity recognition and
exploitation in social – compared to strictly commercial – ventures (Robinson, 2006; Mair and Noboa, 2006; Corner and Ho, 2010), the paper also contributes to a more nuanced understanding of the role of sub-identities, beyond the typically studied commercial versus social welfare dimensions. While recognizing that this remains a useful way to think about entrepreneurial identity, social entrepreneurship takes place predominantly in local community contexts, in which entrepreneurs’ level of community attachment is also likely to matter. The findings demonstrate that this is indeed an important sub-identity, which (social) entrepreneurs appeal to when justifying their target beneficiaries, theories of social impact, and measures of impact. Importantly, this finding suggests that there are notable differences in how entrepreneurs identify, even if on the surface they appear to belong to a coherent “social” or “commercial” category. Such differences, in turn, affect the kinds of social impact opportunities pursued and the implications for addressing community social problems. Lastly, by interviewing supporting organizations in addition to entrepreneurs, the paper provides important insights into identity construction across different actors in the entrepreneurial ecosystem, taking seriously the critique that the literature has overemphasized the role of the lone, heroic entrepreneur (see Montgomery et al., 2012).

Ultimately, this paper also responds to calls for a critical narrative of the role of market approaches to addressing social problems (Bull, 2008; Steyaert and Katz, 2004). Allocating resources and attention among different entrepreneurial approaches is, in the end, a political and a moral choice regarding how much inequality can be tolerated in the name of a social cause, and what degree of risk is worth taking to achieve that cause. It is not the purpose of this paper to advocate for one variety of social entrepreneurship or another in terms of achieving social change. Rather, I have sought to expose the underlying logics, advantages and potential risks of five
varieties enacted on the ground in France’s *quartiers*. Perhaps more comprehensive policies would seek to bring the different varieties closer together and to facilitate transitions between individual, community and societal-level impact.

*Limitations and Future Research*

As with all inductive data collected and situated in a particular context, there are inevitable limits to the generalizability of this paper’s findings. Indeed, the multiple forms of (social) entrepreneurship which have taken hold in the French *quartiers* are among the reasons that make this unusual context so worthy of study. Amidst a globalizing, and relatively homogenous narrative of entrepreneurship as a solution to social problems, the case of the French *quartiers* offers insight into the persistence of local variations of (social) entrepreneurship, more or less adapted to historical, geographical and cultural realities. Consequently, I make no claim that the five varieties of (social) entrepreneurship theorized in this paper are exhaustive or equally likely to embody the same characteristics and defining elements across all contexts. Notably, they are prone to differ based on geographic considerations (e.g., SE in rural versus urban contexts); considerations of local socio-economic conditions (e.g., in developing versus developed world contexts based on different infrastructures for entrepreneurship and social welfare provision); cultural factors (e.g., in countries with more established traditions of reliance on market mechanism, such as the United States and the United Kingdom); and specificities related to sectors of activity (e.g., whether local conditions and policies favor specific forms of entrepreneurship, such as technology start-ups, circular economy organizations, or self-employment).

More specifically, the entrepreneurial contest (EC) on which this paper is based represents only one of a number of initiatives (including other contests) designed to promote entrepreneurship in the *quartiers*. Therefore, it represents a selection of (social) entrepreneurs from these
communities and inevitably misses a number of existing and potential social entrepreneurs that do not engage in entrepreneurial contests. On the other hand, compared to similar initiatives, EC has the advantage of offering expansive historical data and an inclusive format. That is, given that eligibility is determined primarily by geography, and that the contest accepts projects at both the idea and the development stage, it allows for a great deal of variance in terms of sector of activity, project maturity, and entrepreneurial profile. As such, it covers the range of entrepreneurial initiatives from small-scale, local self-employment, to ambitious franchise and export-oriented projects. Similarly, given the lax eligibility criteria, entrepreneurial profiles also included a range from first-time entrepreneurs without a high school diploma to successful serial entrepreneurs with post-graduate studies. Lastly, although it proved impossible to identify and interview EC contestants who hadn’t been selected as winners at either the regional or national level, the interview sample includes the perspectives of (social) entrepreneurs whose projects never officially launched or subsequently failed. While not claiming to represent the exhaustive reality of SE in the quartiers, the above considerations nevertheless give voice to a variety of (social) entrepreneurial initiatives and strengthen the claim that SE takes on a more complex range of forms than commonly suggested by a hegemonic narrative.

Fortunately, the above limitations also present a number of opportunities for future research. An obvious extension of the current study would leverage quantitative data to assess the “actual” impact of different forms of SE on community-level outcomes. For instance, the five varieties of SE could be compared in terms of their ability to reduce unemployment, poverty and social exclusion in the quartiers over a period of time. Notably, studies could examine the interaction
between organization and community-level variables that make certain forms of SE more or less effective at improving socio-economic conditions in disadvantaged communities.

This also implies a need for more longitudinal studies – both quantitative and qualitative – that can speak to the potential evolution of these forms of SE over time. One of the most surprising findings from my research was the extent to which different organizations embody distinct (social) entrepreneurial approaches holistically, with very limited integration of forms within a single structure. Relatedly, the support ecosystem – including funders and organizations providing technical assistance – appears to be heavily bifurcated in France. For instance, entrepreneurs that espouse an ideational view of entrepreneurship interact almost exclusively with supporting organizations that adhere to the same theory and have extremely limited interaction with actors who enact and promote an ends-based theory. What I initially suspected would be set up as a continuum, allowing entrepreneurs to progress from self-employment to more ambitious entrepreneurial projects, appears to be largely organized as two parallel paths. Future longitudinal studies could thus assess whether this bifurcation is temporary – a possible feature of an unsettled institutional field moving towards eventual convergence – or a more durable structural phenomenon.

Lastly, comparative work could shed light on the extent to which SE takes on similar/distinct forms and field-level configurations across geographic and cultural contexts. France presents an intriguing case in this respect due to its ambivalent relationship to market mechanisms applied to social welfare. As an emblematic welfare state (Prasad, 2005), it has often been seen in the popular imagination as relatively inhospitable towards entrepreneurship and particularly towards market-based solutions to social problems. At the same time, the historical development of a social and
solidarity economy suggest that markets and social welfare need not be seen as conflicting. Future comparative work could investigate whether market solutions to social problems – of which social entrepreneurship is an example – take on similar forms in countries with a greater reliance on markets and more established legitimacy for entrepreneurship (e.g., the liberal market economies of the United States and United Kingdom); in countries with weak welfare states but high rates of entrepreneurship (e.g., certain African countries), and in intermediate contexts such as Latin America, with historical roots in the social and solidarity economy but relatively low rates of entrepreneurship and spotty welfare state provision. Such comparative work could not only speak to the generalizability of the present findings but could also identify important boundary conditions – such as the level of socio-economic development, historical patterns of combing market and social welfare logics, and the level of maturity of the social entrepreneurship field – that help explain the number of different forms of SE and their content across a variety of contexts.

CONCLUSION

The early days of organizational theory reserved a crucial role for organizations in society, including for dealing with the pressing challenges of the time. The renewed attention to market and organizational approaches to social change (e.g., via hybrid organizations and social entrepreneurship) furthers understanding of how organizational actors can contribute to resolving the “grand challenges” of our time (Ferraro et al., 2015; see George et al., 2016; Marwell and McQuarrie, 2013). These expectations are clearly visible in the French quartiers – where public policies increasingly promote entrepreneurship as a solution to decades of deepening inequalities between these and more advantaged territories. Although such initiatives undoubtedly hold promise, they must also be encouraged with caution and attention to their limits and unintended consequences. Entrepreneurship is one option in a toolkit of approaches to addressing socio-
economic problems. Yet, it also contains the seeds for some of the exacerbating forces of inequality, including competition (consistently prioritizing “the best”) and the potentially destabilizing effects of replacing welfare security with greater tolerance for risk. As French President François Hollande stated at the inauguration of the *Agence France Entrepreneur*, stable employment should be an option for individuals, as should entrepreneurship when it’s one’s vocation. Recognizing that not all entrepreneurial paths lead to employment – but that they may contribute in other important ways to social inclusion – could prove essential to capitalizing on entrepreneurship’s social potential, without overstating its promise.
CHAPTER 2
Community and organizational determinants of social enterprise survival

INTRODUCTION

Social enterprises – organizations that combine self-sustaining commercial activities with an explicitly social mission – have increasingly been suggested as potential solutions to a variety of local problems, from community poverty and unemployment (Dees, 2012; Diochon, 2013; Stott and Tracey, 2018), to the integration of refugees (Lee, 2018), and the social inclusion of discriminated populations (Blackburn and Ram, 2006; Haugh and Talwar, 2014). A key feature of social enterprises is their inherent hybridity – the need to integrate multiple and often competing goals, resources and organizational forms (Battilana and Lee, 2014) within a single organizational entity. It is namely this hybridity which is the source of several empirical and theoretical puzzles in the study of such organizations.

Empirically it is worth wondering why – despite their highly advertised benefits and increasing public and private support over the past several decades – social enterprises have not become a more dominant organizational form. Particularly in certain contexts – such as France – the initial enthusiasm over the legal introduction of social enterprises in 2001 in the form of multistakeholder cooperatives for the public benefit (Société cooperative d’intérêt collectif, SCIC) has been met with lackluster results. Sixteen years later, just under 700 such organizations are in existence, compared to the stock of nearly 4.5 million enterprises overall in 2016 (Insee, 2016). The “social enterprise revolution” has hardly come to fruition.
Theoretically, the hybridity of social enterprises also presents a number of puzzles. First, the latter’s hybrid social and commercial missions imply that they are governed by a set of motivations and organizational choices distinct from both purely commercial enterprises and purely non-profit organizations. This is perhaps most evident in how social enterprises deal with a key feature of entrepreneurial organizations – recognizing and exploiting opportunities (Alvarez and Barney, 2013; Eckhardt and Shane, 2003). A commercial enterprise is ultimately attuned to commercial needs that offer exploitable market opportunities. A traditional non-profit organization is focused on meeting social needs, with little concern for market opportunities given its heavy reliance on public funding. Social enterprises, on the other hand, construct their opportunity space based both on how local communities define their specific social needs (Seelos et al., 2011), and on the kinds of market opportunities those communities provide to allow the social enterprise to be self-sustaining. Paradoxically, therefore, social enterprises must exist where both social needs and commercial opportunities are present; two conditions that are often competing within a geographical space. A logical question is then, is social enterprise survival higher in communities with considerable or with few social needs?

Relatedly, hybridization of resources is suggested as a key feature of social enterprises (Defourny and Nyssens, 2010; Di Domenico et al. 2010). That is, such organizations are said to benefit from their financial reliance on a diverse set of actors (e.g. government funding as well as private investment) and forms of employment (wage as well as volunteer labor), the combination of which is typically not possible in purely commercial or non-profit entities. Occupying the position of a “Fourth Sector” between the public, private and civil society, social enterprises are also deemed hybrid in terms of their appeal across the political spectrum. To the extent that they
represent deviations from both the traditional welfare state and from unbounded capitalism (Defourny and Nyssens, 2010) these hybrid organizations also provide a puzzling context in which to study the effects of politics on organizational forms. As deeply political projects (Ridley-Duff, 2007) that are nevertheless expected to appeal to both progressive and conservative political parties (e.g., as the humanizing face of capitalism or the modernizing face of the welfare state), social enterprises challenge existing conceptions of the relationship between political parties and organizational forms.

Lastly, the hybridity of social enterprises is manifest in their combination of organizational forms (Seelos et al., 2011). As something “in between” a commercial enterprise and a non-profit, these organizations straddle these two taken for granted forms. What’s more, in several conceptualizations of social enterprise, the latter are expected to take on a democratic governance form (Defourny and Nyssens, 2006), in which decision-making rights are not tied to capital ownership as they would be in a strictly commercial venture. The relationship between democratic governance and organizational survival itself presents an intriguing puzzle, in that such governance has been posited both to make organizations more resilient (Boone and Ozcan, 2016; Moore and Kraatz, 2010; Nuñez-Nickel and Moyano-Fuentes, 2004) and to incur additional costs and complexities that threaten organizational survival (see Johnson, 2006).

The present paper provides a unique opportunity to address some of these puzzles by relying on a comparison between social enterprises and closely related organizational forms in France. Notably, I compare:

a) social enterprise cooperatives: multistakeholder cooperatives for the public benefit (SCIC), which are recognized as social enterprises in France (Lindsay and Helms, 2004)
and meet all criteria for consideration as social enterprises: significant commercial activity; social mission in the public benefit; democratic governance; relative independence from government, and

b) classic cooperatives (e.g., workers’, producers’, consumers’) which share many of the same features as SCICs but lack a public-oriented social mission and operate their governance based on participation from a single stakeholder group.

The comparison has the benefit of identifying two complete organizational populations during a specific time period rather than relying on more subjective means of locating social enterprises (e.g., by relying on sampling). In comparing these primary populations, as well as a smaller subset of cooperatives that are essentially constituted as commercial businesses with little obligation to respect democratic governance, I investigate the community and organizational-level factors that influence the survival likelihood of social enterprises. Notably, building on the inconclusive literature regarding the potential benefits and disadvantages of hybrid resources and hybrid organizational forms, I rely on a Cox proportional hazards model to test for the effects of poverty, unemployment and political orientation at the community level, as well as governance form at the organizational level, on the risk of organizational failure.

I find that both community and organizational-level factors matter for the survival of social enterprises and related forms, and that as a more “complete” form of social enterprise, SCICs enjoy several advantages in terms of reduced risks of failure. At the community level, the findings suggest that increases in median household income improve the survivability of social and classic enterprises, but only up to a point after which additional increases in income make virtually no difference. Surprisingly, the risk of failure decreases among communities with
higher proportions of unemployed residents, though only after a certain threshold. Regarding the effects of politics on social enterprise survival, there appears to be a “sweet-spot” to the center-left of the political spectrum, with the risk of failure increasing among communities with right or far left politicians in office. Most tellingly, compared to commercial enterprises, being organized as a classic (single-stakeholder) cooperative increases the risk of organizational failure, whereas adopting the multi-stakeholder (SCIC) form reduces this risk. Therefore, despite their relatively small numbers in the overall organizational population, multistakeholder cooperatives for the public benefit hold promise for the survival potential of hybrid organizations.

The rest of the paper proceeds as follows. In the next section, I discuss the theoretical basis and derive hypotheses for community and organizational-level determinants of organizational survival and failure among social enterprises. I then describe the methods used and test the hypotheses using a sample of 3551 organizations over thirteen years from 2002-2014 (corresponding to N=26,574 organization-years). The paper concludes with a discussion of the implications of the findings and directions for future research.

THEORETICAL BACKGROUND

Scholarship in both classical commercial and social entrepreneurship acknowledges that entrepreneurial activity is contextually embedded in local communities (Freeman and Audia, 2006; Marquis et al., 2007; Marquis and Battilana, 2009; Seelos et al., 2011; Smith and Stevens, 2010). As Boone and Ozcan (2014: 992) argue, “the social structures, ideologies, and social identities that characterize a spatial context are decisive in the birth and diffusion of organizational forms.” Community context matters for delineating a particular opportunity space, including defining the legitimate set of unmet social needs to be addressed (Seelos et al., 2011),
for providing valuable resources, such as networks, trust, and shared systems of meaning and culture (Marti et al., 2013), and for expanding or constraining entrepreneurial choices based on local organizational ecologies (Berrone et al., 2016; Schneiberg, 2015). For instance, studies of spatially-based corporate philanthropy (Galaskiewicz, 1997; 1985[2016]; Guthrie et al., 2008) have typically examined the relationship between local ecologies of need and organizational responses, finding that community political and ecological conditions (e.g., the concentration of public and private welfare providers) affect organizations’ decisions about what types of social goods to fund or stop funding. Consequently, we can reasonably assume that the success and failure of social enterprises depends on a combination of community and organizational-level variables. Below, I consider each of these sets of variables, as well as potential interactions between them, with the aim of illuminating the set of risk factors for social enterprise survival and failure.

**Community-level Factors**

It’s well established that community fabric matters for entrepreneurship and local economic development (Porter, 1998; Romanelli and Khessina, 2005; Saxenian, 1996; Sorenson and Audia, 2000; Stuart and Sorenson, 2003). To the extent that social entrepreneurship is –arguably more than commercial entrepreneurship – intimately tied to addressing the needs of local communities, we can expect that geography and community embeddedness are even more influential factors in such organizations’ survival. Yet, in the field of social entrepreneurship, very little empirical work specifically examines community-level determinants of social enterprise success and failure (Muñoz, 2010). Most scholarship has instead focused on understanding outcomes at the level of atomistic entrepreneurs (individuals), social enterprise organizations, or entire nations (Defourny and Nyssens, 2010; Kerlin, 2010), without full
consideration of the relationship between social enterprises and their spatially-bounded community ecosystems. A few exceptions are the work of Peredo and Chrisman (2006) and Somerville and McElwee (2011) on community enterprises/entrepreneurship and that of Seelos et al. (2011) examining the relationship between institutional features of communities, local embeddedness, and the strategic orientation of social enterprise organizations.

Notably, Peredo and Chrisman (2006) advance the concept of the community-based enterprise (CBE), which considers the community itself as both entrepreneur and enterprise in the pursuit of the common good. CBEs are theorized to emerge where communities face social and/or economic stress and a threat to their way of life. Similarly, Seelos et al. (2011) emphasize the local normative, cognitive and regulative (Scott, 2013 [1995]) conditions shaping the “productive opportunity space” and the “faces of poverty” across different communities. The authors argue that the latter affect the likelihood that social enterprises will adopt collective action, market, or social giving strategic orientations (Seelos et al., 2011). Ultimately, the above consider how social enterprise opportunities are shaped by local community contexts.

**Community needs as social enterprise opportunities.** The construction of entrepreneurial opportunities is likely to differ considerably between social and commercial enterprises (Robinson, 2006; Mair and Noboa, 2006; Corner and Ho, 2010). Most importantly, the opportunity space for classic enterprises is heavily reliant on favorable economic conditions within a community, including the availability of local financial resources and human capital (Kwon et al., 2013; Samila and Sorenson, 2011). Although social enterprises are also likely to benefit from such conditions (Korosec and Berman, 2006), the latter’s opportunity space is also defined by the presence of socio-economic needs within the community, implying the existence
of less favorable economic conditions. For instance, Robinson (2006: 99) argues that “social entrepreneurial opportunities are a special case of opportunities…because they are embedded in a social sector market.” As such, they not only face economic barriers to entry (as with all entrepreneurial endeavors), but also social and institutional barriers that may be less determinant for purely commercial ventures. Seelos et al. (2011) further theorize that the opportunity space for social enterprise organizations is defined by how local communities conceptualize poverty-related social needs. Ironically, therefore, the opportunity space for social enterprises is defined by both the presence of favorable economic conditions and of social needs, of which (high)low income and (low)high unemployment rates are key indicators.

In the case of classic enterprises, therefore, it seems reasonable to assume that favorable economic conditions support the survival of start-ups. The only attenuating factor is that when community conditions are too favorable, organizational density is likely to increase, leading to greater competition and increasing the risk of failure (Hannan and Freeman, 1984). In the case of social entrepreneurship, the direction of this relationship is less clear. On the one hand, communities with high poverty levels constitute sites of great social need and therefore opportunities for social enterprises to fulfill their raison d’être (Seelos et al., 2011). Alternatively, extremely high levels of poverty can also mean limited resources and infrastructure for entrepreneurship overall, diminishing the chances of survival of any organization, including social enterprises (Kickul et al., 2010; Desa and Basu, 2013). Note that classic cooperatives – which lack a community-focused social purpose – can thus be expected to behave more like classic enterprises than like social enterprise cooperatives. In other words, the
community social need space should be irrelevant to their likelihood of survival. Accordingly, I suggest the following hypotheses:

*H1a:* For classic cooperatives, the risk of organizational failure increases with higher community levels of poverty.

*H1b:* For social enterprise cooperatives, the relationship between community levels of poverty and the risk of organizational failure is curvilinear; social enterprise cooperatives have a high risk of failure at very low and very high levels of community poverty with decreasing risk of failure near median levels of poverty.

Similarly, the level of unemployment in a community can present both opportunities and challenges with respect to the survival of social enterprises. On one hand, as with high poverty levels, high unemployment levels can be indicative of social need and thus demand for social enterprises. Unemployment can also be a push factor, encouraging individuals to engage in entrepreneurship when full-time employment is not an option (Fairlie, 2013, although see Faria et al., 2010). On the other hand, as with high levels of poverty, elevated levels of unemployment could also indicate that a community lacks the basic resources and conditions necessary to sustain economic activity, including that of social enterprises. As such, high unemployment levels would be more likely to reduce the survivability of social enterprises.

Existing literature on the effects of business cycles – including conditions of unemployment – on the founding and survival of cooperatives has been quite inconclusive, with studies identifying cyclical, counter-cyclical (Núñez-Nickel and Moyano-Fuentes, 2004; Pérotin, 2006), and ambiguous or independent effects (Staber, 1993). For instance, Ingram and Simons (2000) find that cooperatives founded out of necessity in times of economic crisis (i.e. high levels of unemployment at time of founding) have lower survival rates than those founded under more favorable conditions. To the extent that classic cooperatives are less likely to be buffered by the levels of social need in a community as compared to social enterprise cooperatives, I would
again expect the former to behave more like classic enterprises and to be negatively affected by high levels of community unemployment. This leads to the following hypotheses:

**H2a:** For classic cooperatives, the risk of organizational failure increases with higher community levels of unemployment.

**H2b:** For social enterprise cooperatives, the relationship between community levels of unemployment and the risk of organizational failure is curvilinear; social enterprise cooperatives have a high risk of failure at very low and very high levels of community unemployment with decreasing risk of failure near median levels of unemployment.

**Political opportunity space.** Social enterprises and cooperatives are fundamentally political projects. To varying degrees, they aim to address needs and fulfill roles that have traditionally been filled by governments – notably welfare states – such as reducing poverty, combatting unemployment, and mitigating social exclusion. Although more internally rather than societally focused, classic cooperatives have also been seen as occupying a political role in society, namely as alternatives to purely capitalistic socio-economic structures (Schneiberg, 2011, 2013). As such, more so than for commercial enterprises, it is important to consider the political opportunity space for classic and social enterprise cooperatives. By political opportunity space, I mean specifically the nature of local politics and the extent to which the local governing party is favorable to cooperative organizational forms and alternatives to classic capitalist enterprises.

Several scholars have studied the effect of political ideology on the founding and survival of alternative organizational forms – typically cooperatives. For instance, Schneiberg (2015) has used the context of cooperative and mutual organizations in the United States to dispel the notion of a homogenous organizational fabric in the “wellspring of corporate capitalism”, suggesting ecologies of alternative forms as a strategy for resisting, regulating and reforming corporate capitalism. Similarly, Simons and Ingram (2003: 33) argue that “all organizations are infused with ideologies” and show how affinities between the ideologies of two types of agricultural
cooperatives in Israel and Palestine affected founding rates, cooperation and competition among the organizational populations.

At the most basic level, such studies have established or implied a tight relationship between progressive politics and variations of the cooperative movement. In France, in particular, this relationship has been documented in work on the Social and Solidarity Economy (Économie sociale et solidaire) – of which cooperatives are a key part (Demoustier, 2003; Laville, 2016). For historical reasons, one would therefore expect that cooperatives should thrive more in communities governed by left rather than right-leaning political parties. Beyond ideological affinities that may exist between governments and particular organizational forms, local political support matters for material reasons such as public funding (Korosec and Berman, 2006) and regulatory support of particular organizational actors (Ingram and Simons, 2000; Simons and Ingram, 2004). Although this can certainly be true at the national or regional levels of government, it is local political authorities that are the most directly involved in the funding and support (or lack thereof) of community-based projects and social enterprises. For instance, Berrone et al (2016) find that in metropolitan statistical areas with conservative orientations, welfare nonprofits are less effective at reducing inequalities. Notably, mayors in France have authority over all aspects of municipal affairs, including city planning, social services, housing, education, culture, sports and tourism – all of which are key domains in which social enterprises operate. It is therefore more appropriate to consider how the political characteristics of the local community affect the survivorship of classic and social enterprise cooperatives.

Although the literature on cooperatives has taken these characteristics into account, it is less clear how local political characteristics affect the survivorship of social enterprises. On one hand,
we might expect that social enterprise cooperatives essentially behave and are perceived by external stakeholders (including local authorities) to be just like classic cooperatives. They would thus be affected in the same way by local politics. On the other hand, social enterprises have often been presented as a novel cross-party solution to social problems through entrepreneurial means. That is, unlike traditional “big business” – which is often associated with conservative politics, and non-profits – which are typically associated with progressive parties, social enterprises presumably cut across party lines and offer an alternative that satisfies multiple ideological and political interests. This is most often summarized in the view of social enterprises as an alternative “Third Way” between the state, the market, and the non-profit sector (Defourny and Nyssens, 2010; Defourny et al., 2014).

Relatedly, one of the stated goals of the introduction of social enterprises – and especially of the SCIC form in France – is to promote socially-engaged organizations that are financially sustainable and thus largely independent from public funding (in contrast to non-profits and other heavily-subsidized organizational forms). One might therefore expect that the effect of local politics on organizational survival would be considerably weaker. Given these competing predictions, it remains to be empirically demonstrated whether social enterprises are truly able to transcend party lines and to thrive under local governments across the political spectrum. Nevertheless, to the extent that social enterprise cooperatives (but not classic cooperatives) can and often do include local authorities in their multi-stakeholder governance model, I predict that the effects of local governing party on organizational survival (failure) will be mediated by whether the organization is a classic or a social enterprise cooperative.
H3a: For all cooperatives, the risk of organizational failure is higher in communities governed by right-leaning, as compared to left-leaning, political parties.

H3b: The effects of governing political party on the risk of organizational failure are particularly acute for social enterprise cooperatives, compared to classical cooperatives. That is, social enterprise cooperatives are even less (more) likely to fail in communities governed by left(right)-leaning parties than classical cooperatives.

Political (in)stability. In addition to the effects of which party is in local office, the relative (in)stability of the local political context is also likely to matter for organizational survival. Notably, frequent alternations between parties can create instability and uncertainty, disrupt existing resource relationships, and complicate an organization’s ability to make long-term plans. For instance, Dutta et al. (2013) show that country-level political stability leads to increased rates of entrepreneurship. Citing the World Bank enterprise surveys (WBES) for Lebanon, Stel and Naudé (2016) also show that political instability is by far the greatest obstacle to doing business as reported by surveyed Lebanese firms. Of course, such instability is likely to matter more for organizational forms that rely more heavily on local governments for material and political support. As above, how such instability affects social enterprise cooperative remains an unexplored empirical question.

On one hand, given the potential for local authorities to be members of a social enterprise’s governing body, we might expect that any changes in governing party would jeopardize the organization’s survival. On the other hand, theories of organizational resilience based on governance form suggest that democratically-governed organizations are better able to withstand environmental shocks than classic hierarchical enterprises (Boone and Ozcan, 2016; Nuñez-Nickel and Moyano-Fuentes, 2004). Consequently, we might predict that social enterprise cooperatives would be relatively resistant to local political changes, such that the latter would
have no significant effect on their likelihood of survival. I therefore make the following predictions:

**H4a:** For all cooperatives, the risk of organizational failure is higher in politically unstable communities (where the governing party changes, irrespective of the party itself) compared to stable communities.

**H4b:** The effects of political instability on the risk of organizational failure are particularly acute for social enterprise cooperatives, compared to classical cooperatives.

**Organizational-level Factors**

A community embeddedness approach to the study of organizations implies that organizational outcomes are a product of both community and organizational level factors. In other words, the above-predicted relationships between community economic and political characteristics – on the one hand – and the survival of social enterprises – on the other – are likely to vary by organizational profile. Simply put, not all (social enterprise) cooperatives within a given community can be expected to behave alike. Below, I consider two primary dimensions along which organizations can differ and their implications for organizational survival.

**Governance form.** The first dimension is governance form. In the broadest sense, organizational governance deals with questions of organizational purpose, control, and accountability, including prioritization of organizational objectives and for which stakeholder groups (Aguilera et al., 2008; Hambrick et al. 2008). Increasingly, scholars interested in hybrid organizations – of which social enterprises are a classic example – have identified governance as a means of balancing competing prescriptions from social and economic objectives (Mair et al., 2015). For European conceptualizations of social enterprise (Borzaga and Defourny, 2001), democratic governance is one of the three defining characteristics of social enterprise organizations.
Democratic governance presents both opportunities and challenges for organizations (Harrison and Freeman, 2004; Johnson, 2006; Kerr, 2004). Democratically-governed organizations, traditionally studied in the form of worker cooperatives or mutual associations, have long been heralded as contributors to social and economic development (Ingram and Simons, 2000; Zeuli and Radel, 2005), as well as potential regulators of financial markets and capitalism (Schneiberg et al., 2008). Organizational democracy can also foster a committed workforce and promote employee retention (see Harrison and Freeman, 2004). Under certain conditions, democratically-governed organizations have also been shown to be more resilient than hierarchical corporations (Boone and Ozcan, 2016; Nuñez-Nickel and Moyano-Fuentes, 2004). For instance, in a study of environmental changes to the U.S. savings and loan industry during the 1980s, Moore and Kraatz (2010) show that mutually-governed associations more successfully adapted to changes and performed better overall than traditional stock firms in the same industry. Although the mutual associations in their study did not necessarily operate democratically, the findings suggest that alternative governance arrangements can be beneficial in contexts of ambiguity and uncertainty.

At the same time, high coordination costs, slow and complicated decision-making, and the challenges of reaching consensus can all jeopardize organizational efficiency, growth, and ultimately survival among democratically and non-hierarchically governed organizations (see Johnson, 2006). Integrating multiple stakeholder groups within the governing board can also present major challenges in hybrids and lead to lower performance of the board’s service role (Crucke and Knockaert, 2016). Given the above, Kerr (2004) suggests that democracy will only
be implemented and sustained in organizations where it makes a significant contribution to competitive advantage and performance.

The present study offers a unique opportunity to compare two distinct models of democratic governance – single versus multistakeholder. Classic cooperatives, such as those owned by workers, producers, or users, typically involve single-stakeholder governance, in which the primary stakeholders are the employees, producers or users themselves. As such, democratic governance tends to be internally-focused in such organizations, with the interests of the main stakeholder group essentially aligned with the interests of the cooperative organization as a whole. On the other hand, multi-stakeholder social enterprise cooperatives such as SCICs represent a more extreme form of democratic governance. In such organizations, decision-making involves at least three different stakeholder groups, among which at least one is fully external to the boundaries of the organization (e.g. local authorities, investors, experts). As suggested by stakeholder theory (Donaldson and Preston, 1995; see Laplume et al., 2008 for a review), the multiplicity and diversity of organizational stakeholders leads to particular challenges in multi-stakeholder cooperatives. This would suggest that the latter are at a higher risk of failure compared to classic cooperatives, which face the “normal” challenges of democratic governance without the additional complexity of managing multiple and external stakeholder interests.

At the same time, as far as they represent an extreme form of democratic governance, multi-stakeholder social enterprise cooperatives may also enjoy additional advantages not available to classic cooperatives. Notably, the presence of external stakeholders is likely to increase such organizations’ access to a greater variety of financial, human, and social resources (Bouchard
and Rousselière, 2016), including legitimacy and recognition among a broader set of actors (Townsend and Hart, 2008). To the extent that more stakeholder groups involved in the organization’s activities are also represented in the organization’s governance body, we might therefore expect multi-stakeholder cooperatives to enjoy greater engagement from a variety of relevant actors, thereby contributing to their survival. Accordingly, I make the following competing predictions comparing classic (single-stakeholder) cooperatives and (multi-stakeholder) social enterprise cooperatives.

**H5a:** The risk of organizational failure is lower for social enterprise cooperatives compared to classic cooperatives.

**H5b:** The risk of organizational failure is higher for social enterprise cooperatives compared to classic cooperatives.

**Sector of activity.** Prior research suggests that the survival of cooperatives varies at least in part by sector (Bouchard and Rousselière, 2016). Thus, the second organizational factor I consider is sector of activity, specifically whether the organization is involved in primarily social or commercial activities. By definition, all social enterprises combine both commercial and social elements (see Bacq and Janssen, 2011). This differentiates them from classic enterprises (which lack an explicitly social dimension, except as a potential positive externality), and from non-profits (which lack a commercial dimension in that they rely almost exclusively on public subsidies and donations for their financial sustainability). However, social enterprises differ in where their activities fall on the social-commercial spectrum. For instance, commercial banking activities are arguably more essential to microfinance social enterprises compared to social enterprises that use arts and culture to combat social exclusion.

An organization’s predominantly commercial or social sector of activity is likely to matter for its survival likelihood in several ways. First, belonging to certain sectors implies a series of
technical competencies and experiences that may increase the likelihood of survival. Organizations associated with commercial activities tend to exhibit the key features of rationalized organizations: the use of business models and strategic planning, the implementation of formal (quantitative) performance measurement tools, and experience with financial audits and reporting mechanisms (see Hwang and Powell, 2009). The latter would suggest that they are better equipped to secure the financial stability of the organization compared to organizations embedded in predominantly social sectors, where such tools are less prevalent.

Second, an organization’s sector of activity informs a set of audience expectations. This ultimately impacts how legitimate the organization is in the eyes of external audiences. For instance, building on identity theory, Wry and York (2017) argue that the role and personal identities of social enterprise founders inform their adherence to social welfare or commercial logics, which in turn influences how they recognize and develop entrepreneurial opportunities. Notably, the authors recognize that “salient role identities also have strong external accountability pressures” (Wry and York, 217: 442), such that entrepreneurs are likely to feel increased pressure to conform to outside expectations associated with either the social welfare or commercial logics when developing opportunities. Importantly, external perceptions of organizations involved in the social sector (typically non-profits and government organizations) tend to characterize the latter as inefficient, bureaucratic, and lacking in professional accountability. The move towards New Public Management and the rationalization of the non-profit sector (Hwang and Powell, 2009; Marwell, 2004) are thus attempts to “correct” the perceived inefficiencies in the public and social sectors by introducing practices and logics from the commercial arena. Both the internal competence/experience and the external audience
perspectives suggest that classic and social enterprise cooperatives with activities in the commercial sector are at a lower risk of failure than those in the social sector. Formally, this leads to the following hypothesis:

H6: For all cooperatives, the risk of organizational failure is higher for those engaged primarily in social sector, compared to commercial sector, activities.

Interaction Effects

The premise of this paper is that it is the combination of community and organizational-level factors that affect the survival likelihood of social enterprises. Organizations are embedded in communities, but communities don’t affect all organizations equally. Consequently, I account for the possible interaction effects between variables at these two levels of analysis. Hypotheses 1, 2, 3b, and 4b already consider interaction effects by making separate predictions about the effects of community-level factors on classic, and social enterprise cooperatives. Hypotheses 7 and 8 below extend this theorization by considering how community-level poverty, unemployment, and political party in office are likely to affect organizations differently based on their sector of activity.

In terms of community levels of poverty and unemployment, I previously hypothesized that the latter would have a negative effect on the survival of classic cooperatives but would exhibit a curvilinear relationship for social enterprise cooperatives. Logically, this implies that at high levels of poverty and unemployment, social enterprise cooperatives would be more likely to survive than classic cooperatives, all else equal. Hypothesis 7 extends this prediction by suggesting that the likelihood of survival is even greater for cooperatives engaged in social rather than commercial activities. The expectation is that organizations engaged in the social sector have greater legitimacy compared to commercially-oriented organizations in communities faced
with severe socio-economic problems. In turn, this greater relative legitimacy might mitigate the risks of organizational failure due to otherwise unfavorable community conditions.

**H7: The effects of community poverty and unemployment levels on the risk of organizational failure vary by the cooperative’s primary sector of activity. Cooperatives engaged in primarily social activities have a lower risk of failure at high levels of community poverty/unemployment compared to those engaged in primarily commercial activities.**

With respect to the governing political party in a local community, I previously noted an established association between the cooperative organizational form and left-leaning politics. A similar association is present between leftist politics and activities in the social sector, such as education, arts and culture, and health and social services as part of the social and solidarity economy (Laville, 2011). To the extent that such activities are typically undertaken by strong welfare states, they support the association between leftist politics and social sectors of organizational activity. In more material terms, social sectors of activity are also typically funded – at least in part and generally more so than activities in the commercial sector – by public subsidies. Both arguments suggest that cooperatives operating in the social sector are more affected by local political dynamics than those with predominantly commercial activities. Formally:

**H8: The effects of governing political party on the risk of organizational failure are particularly acute for cooperatives whose primary sector of activity is social, compared to commercial.**

**METHODS**

*Data Sources and Sample*

One of the main challenges in conducting large-scale, quantitative studies on social enterprises is that it remains difficult to unequivocally identify the population of such organizations. Although imperfect, the European Commission offers a useful classification of
organizational types in each member state, according to the degree to which they adhere to an operational definition of social entrepreneurship. Namely, the report identifies groups of organizations that are “fully in” “partially in” “boundary cases” and “out” of the four eligibility criteria: “(1) engagement in economic activity, (2) aim oriented to the delivery of public benefit, (3) democratic governance and distribution of profits according to defined rules and procedures, (4) independence from public authorities.” Based on this classification, SCICs emerge as the most unequivocal case of a social enterprise in France (Lindsey and Hems, 2004), fulfilling all four criteria.¹ In contrast, classic workers cooperatives (SCOPs) and non-profits operating in social, cultural or environmental fields, are considered “boundary cases”. Namely, due to their employee-oriented nature, the former typically fail to meet the “delivery of public benefit” criterion, whereas the latter are usually too dependent on public authorities and may lack significant economic activity to qualify. Although the restriction of “fully in” social enterprises to SCICs produces a conservative sample – likely missing additional organizations that aren’t structured or don’t identify as social enterprises yet operate as such de facto – it has the benefit of identifying a complete organizational population with reliable data.

My data sample therefore includes the complete population of SCICs in existence at any point between January 1, 2002 and December 31, 2014, in metropolitan France. The observation period is bounded on one hand by the legal introduction of the SCIC organizational form in 2002 and on the other hand by the availability of complete community-level data, as described below. The sample therefore includes 536 SCICs that were active at the end of 2014 as well as 125 SCICs that had either closed down or transferred out of the legal form during this time period. A

¹ Note that SIAE and régies de quartier are also considered in the ‘fully in’ category. However, the EC notes that they need to be considered with care, since many sign contracts with local public authorities that could limit their independence.
list of active SCICs is publicly available on the website of the *Conféderation générale des Sociétés coopératives et participatives* (CG-SCOP). Data relative to organizations that ceased their activities between 2002-2014 were obtained through a personal contact at CG-SCOP.

In order to evaluate the importance of multi-stakeholder democratic governance to the survival of hybrid organizations combining social goals with economic activity, I rely on comparative data from classic, single-stakeholder cooperatives (e.g., SCOPS). Schematically, multistakeholder (SCIC) and single-stakeholder (SCOP) cooperatives are related in the following way:

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<tr>
<th>Democratic Governance</th>
<th>Social Activity in Public Benefit</th>
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<td>Commercial enterprise</td>
</tr>
</tbody>
</table>

The comparative sample of single-stakeholder cooperatives includes all SCOPs in existence in metropolitan France between January 1, 2002 and December 31, 2014. The list of active SCOPs was obtained separately for each year through the public government database *Legifrance*. This allowed me to determine which organizations had ceased their activities during the previous year. The data were further refined via a search for different cooperative forms (e.g., SCOP-SA, SCOP-SARL, SA cooperative*) on the comprehensive Open Data database of active companies and establishments (SIRENE) maintained by the French National Statistics Institute.

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\(^2\) *Entreprise solidaire d’utilité sociale*. Organizations can obtain this label (solidarity enterprise of social utility) by appealing to local authorities, who certify that the organization acts in the public interest. The organization need not take on a particular legal form (i.e. classic for-profit enterprises can obtain the label provided they demonstrate their social utility) and does not require democratic governance.
Due to their commercial activity, all companies (including SCICs and SCOPs) are registered with the French Register of Commerce (RCS), assigned a unique identifier (SIREN number) and searchable via the online databases SIRENE and societe.com. As an official government data source, I rely primarily on organization-level information obtained from SIRENE. However, since the latter only includes information on active organizations, I complement the database with information on failed organizations from societe.com. Across the two databases, the following relevant organization-level information is available: official name; unique identifier (SIREN); registered address; date of entry into the registry; activity code (NAF); legal form; number of employees (by bracket); capital in Euros. For organizations that ceased their activities, societe.com further includes the document date and type of legal action taken (e.g. beginning and end of liquidation proceedings; date the organization was eradicated from the RCS registry).

Finally, I rely on several sources for community-level data regarding local economic and political conditions. For both types of data, the level of analysis is the smallest geographical unit of significance – the commune, approximately equivalent to a town or municipality (N=35 756 in Metropolitan France as of January 1, 2016). For Paris, Lyon and Marseille, I instead use the arrondissement level, which is the smallest equivalent geographic unit. French communes vary vastly in size, with approximately 85% having a population of less than 2000 and only 41 communes with a population of over 100 000. Regardless of their size, each commune is governed by an elected mayor and municipal council. The majority of commune-level data comes from the French National Institute of Statistics (INSEE). However, since INSEE is only required to maintain reliable data for communes with over 2000 inhabitants, whereas a number
of organizations in my sample were founded in smaller communes, I also rely on a number of regional, departmental and local resources (e.g., town websites, local reports) to supplement the data.

**Dependent Variable**

**Organizational failure (death).** The main dependent variable of interest is whether an organization remains active (coded as 0) or has experienced any failure event (coded as 1) in the period between two focal years (an episode). An organization is considered to have experienced a failure event if, over the course of the focal year, it either entered into liquidation proceedings or was dissolved. Other types of events that did not directly lead to organizational failure (e.g. transfer of shares, continuation of activities despite loss of capital, judicial settlement) were not considered as failures. A list of documents and legal proceedings (if any) associated with each organization in the sample is available through societe.com. In each case, I considered the date of onset of the first failure event (e.g. beginning of liquidation proceedings) rather than when they were completed (which could be several months or years later), as an indicator of when the organization was recognized as no longer sustainable. For instance, if liquidation proceedings eventually led to the dissolution of the organization, I coded for the date of entry into liquidation proceedings. For organizations that dissolved without undergoing such proceedings, I coded for the dissolution date.

**Independent Variables**

**Community-level factors of need and opportunity.** To obtain data on community conditions of economic need and opportunity, I rely primarily on data from the French National Statistics Bureau (INSEE) regarding commune-level median income, unemployment, and local spending between 2002-2014.
**Median household income.** For 2002-2011, INSEE reports on the structure and distribution of median household revenues in Euros (revenues médiane par unité de consommation) at the commune level. For larger communes, the database also includes a measure of the Gini coefficient of inequality based on the community income distribution. For 2012-2014, the Filosofi database replaced the previous data collection efforts and includes the same information for communes with over 2000 residents. In analysis, I use both the raw number for median household income as well as an ordinal variable of the median household income grouped into quartiles (below 25th percentile, 26th – 50th percentile, 50th – 75th percentile, above 75th percentile) based on the distribution in the data sample.

**Proportion of population unemployed.** The variable measures, for each commune, the proportion of unemployed relative to the total local population. According to INSEE, a person is unemployed if they are at least 15 years old, without employment during the reference week for data collection, and actively searching for and available for employment. To allow for consistency of datasets, the variable accounts for demandeurs d’emploi catégorie A (in active search of employment; currently unemployed) between 2002-2011, and for chômeurs aged 15-64 for 2012-2014. Note that this is a relatively conservative estimate of the overall unemployment level in a commune, as the denominator considers the total commune population rather than only the active population (employed and unemployed, between the ages of 15-64). Using the total population rather than the active population allowed for more complete data collection. As with median income, analyses test for both the raw proportion of the unemployed (in percentage terms) as well as values grouped into quartiles based on the distribution of the data.
**Community-level political conditions.** For data on community-level political conditions, I rely on the French government’s open data portal (data.gouv.fr), which includes information on the results of municipal elections for 2002 and 2008 (name and party of winner), as well as the full list of mayors for each commune following the most recent election in 2014. Since the latter didn’t include the political affiliation of mayors, I obtained this information from a companion database of the list of all candidates and their party affiliation for the 2014 election. Moreover, given that 2002 and 2008 results were only reported for communes with over 3500 residents, I supplemented the missing data through a combination of the Annuaire des Maires published for each department/commune in 2006/2007, election results as reported in the major newspaper Le Monde, online information/articles about the mayor and the commune, and Wikipedia listings of the commune.

*Commune political orientation.* The study period includes three municipal election cycles (elections held in 2002, 2008, 2014). Following each election, there was thus an opportunity for a commune to either re-elect the same mayor, elect a new mayor of the same political party, or elect a new mayor of a different political party. For each year, I therefore coded the political orientation of the mayor in office. Since elections were held in either March or April of the election year, I coded the political orientation up to, but not including, the election year, such that a commune was assumed to be governed by a party from beginning 2002 to the end of 2007, from beginning 2008 to the end of 2013, and from beginning to end 2014 (for mayors currently in office). Moreover, I assumed that mayors fulfilled their 6-year term, such that the political orientation of the winning mayor was assigned to the full period, thereby ignoring cases of any transitions of power occurring in between terms.
The open government database data.gouv.fr lists 17 major party codes ranging from the radical left to the extreme right. In analyses, I recoded parties into both six categories (far left, left, center, right, far right, other – including green, local/regional parties, and independent candidates) and four categories (left, center, right, other). The variable thus takes on a categorical value from either 1 to 4 or 1 to 6.

Commune political stability. Based on the above, I also consider whether there was a change in political orientation in the commune at any point during the three election cycles. The variable is coded as “1” if there was a change in political orientation and “0” otherwise in the election years 2002, 2008, 2014. I also create a separate variable measuring the total number of party changes in the 13-year period (values = 0, 1, or 2).

Organization-level factors

Governance form. Within my sample, organizations can take on several legal forms as reported in their profile on societe.com. Strictly speaking, all cooperatives – including SCOPs and SCICs – are organized according to one of the three major forms of commercial enterprise in France – SA, SARL, or SA. The forms dictate the kind of decision-making body the organization is subject to (director, president, administrative council) and the extent of financial and legal responsibility attributed to members and the organization as an entity. However, SCOPs can obtain recognition for their specific cooperative status by soliciting the Ministry of Labor. Similarly, SCICs can formally be recognized as a specific form of cooperative in the collective interest, but strictly speaking, they are not attributed a separate legal form as recognized by French authorities. Therefore, to distinguish between the different organizational forms, I create a categorical variable that groups the initial 36 categories of organizational forms present in the
sample into four main types: (1) SCICs (organizations identified as SCICs based on the data collected from the CGSCOP); (2) classic cooperatives (organizations whose legal form includes mention of cooperative or collective status, including \textit{SCOP-SA, SCOP-SARL, SA cooperative à conseil d’administration, SA cooperative à directoire, groupement d’employeurs}), (3) classic enterprises (organizations who, despite being recognized as SCOPs by French authorities take on a strictly commercial form – SA, SARL, SAS – without further cooperative qualifiers), and (4) non-profits. Note that since all non-profits in the sample survived during the entire observation period (i.e. there was no variation in failure status), they were excluded from analyses.

With respect to governance form, the remaining three categories therefore represent different degrees and types of democratic governance. (1) Commercial enterprises imply no legally-mandated democratic governance; (2) Classic cooperatives imply a single-stakeholder model of democratic governance, in which cooperative members hold the majority of capital (at least 51%) and of voting rights (at least 65%); finally, (3) SCICs imply a multi-stakeholder governance model that associates at least three stakeholder groups, including one external to the organization. In addition to the categorical variable for governance form, I also run analyses based on the binary variable, SCIC=0/1.

\textit{Sector of activity}. Social enterprises address a variety of unmet or poorly met needs, from health and education, to unemployment, housing, access to cultural and leisure activities, access to banking, and issues of environmental sustainability. The variable is likely to matter for social enterprise survival both because of the different growth implications of each sector, and with respect to access to different sources of finance and revenues (i.e., public, private, or mixed).
Such differences, in turn, are likely to influence organizational survival (Baker and Nelson, 2005; Desa and Basu, 2013).

I code for sector of activity using the well-established NAF code for each organization, as reported on societe.com. I consider NAF codes at the highest level (section), which lists 21 major sectors of activity such as agriculture, manufacturing, financial services, commerce, health and social services; arts, performance, and recreational activities; and education. I first grouped the 47 sub-codes present in the data sample into the 21 major section codes (of which 18 were represented in the organizational sample). In addition to considering all 18 sectors of activity in analyses via a categorical variable, I also created a binary variable to indicate whether the organization’s main activities were commercial (coded as 1) or social (coded as 0). Under social activities I included NAF codes corresponding to sectors that tend to be heavily publicly funded and in which most social enterprises operate (energy; waste management; health and social services; education; arts, culture and leisure). The commercial category therefore included all other sectors, such as agriculture; extractive industry; manufacturing industry; financial services; commerce; information and communication technology; and real estate.

**Controls**

**Population.** I control for the total population in each commune between 2002-2014. Since consistent data are only available for the 1999 census and between 2006-2014, I rely on several other data sources and methods to account for the population between 2002-2005, including information from the local spending database (see below), as well as on total births and deaths by commune for 2004 and 2005. For the remaining missing values for 2002 and 2003, I created separate variables (population_forward and population_backward) to estimate the population
based on the existing values for 1999 and 2004 and the commune-level population growth rates for subsequent years.

**Local government resources.** Previous studies have demonstrated that the local public budget affects opportunities for (social) entrepreneurship and cooperatives, as well as the latter’s effectiveness (Berrone et al., 2016; Korosec and Berman, 2006). Notably, Bouchard and Rousselière (2016) show that the effect of government subsidies on the mortality of hybrid organizations is initially negative but then turns positive beyond a threshold in which 90% of the organization’s resources come from public sources. The French government portal for local authorities publishes data on revenues and expenses for each commune, with data available for the period 2002-2014 (*Direction Générale des Collectivités Locales, comptes des collectivités*). Specifically, I obtain data on the yearly per capita receipts and spending by commune (in thousands of Euros) based on: a) tax receipts, b) allocation of subsidies, and b) investment, and the resulting budget surplus/deficit and net result. This allows me to capture the degree to which local economic conditions are favorable to social enterprises on both the social (via subsidies) and commercial (via investment) end of the hybrid spectrum. Note that due to data availability, the per capita values for Paris, Lyon and Marseille consider the cities as a whole rather than individually for each *arrondissement*.

**Community entrepreneurial vibrancy.** Some communities are likely to have higher rates of entrepreneurial activity and turnover (founding and failure rates) overall, for reasons not easily captured by other variables. Therefore, I include controls for the yearly number of organizations created (all organizational forms included) in the commune between 2002-2014. However, since
consistent data are only available between 2006-2014, I only use this variable in robustness checks.

**Organizational age.** An organization’s age has been shown to influence its likelihood of survival, albeit with mixed results on the direction and mechanisms of the effects (Le Mens et al., 2011). I therefore control for the age (in years) of each organization between 2002-2014. To calculate the age, I take the difference between the focal year and the organization’s date of registration or creation (whichever is earlier) as reported on societe.com. In a few cases where neither date was listed, I used information from the company’s website or online records to establish the creation date.

**Organizational size.** Consistent data on organizational size in terms of yearly figures on revenues, capital, and number of employees are not readily available for the full set of organizations. The closest available proxy is the number of employees, listed as of the last update on societe.com, and organized in the following brackets: 0 employees, 1-2, 3-5, 6-9, 10-19, 20-49, 50-99, and in increments of 100 (e.g. 100-199, 200-299) through 1399. I recoded the employee bracket variable into the following seven corresponding categories: 0 employees, 1-2, 3-9, 10-19, 20-49, 50-99, and 100 or more.

**Organizational transformation.** A specific subset of surviving organizations underwent a transformation of legal form. That is, while preserving their name and unique identifier (SIREN), the organization modified its statutes to exit out of the existing legal form (e.g., from a cooperative to a commercial enterprise, a non-profit, or a different form of cooperative). Transformations are important to consider, since they suggest that an organization believes its economic and/or social model is sustainable overall, but not under an existing organizational
I therefore code separately for whether an existing organization underwent a change of form during the focal year by considering the date of any associated documents labeled “modification de forme juridique sans [avec] changement de categorie” (change of legal form with/without change of category) as obtained from societe.com.

**Statistical Model**

To model the organizational failure rate, I use a continuous time event history analysis – Cox proportional hazards regression model (Cox, 1972) – which is often used with survival data to estimate the hazard rate (likelihood of failure) of subject \( j \) at time \( t+1 \), considering they have survived until time \( t \). More specifically, the basic model takes the form:

\[
h(t|x_j) = h_0(t) \exp(x_j \beta_x)
\]

where the hazard function is represented by the baseline hazard \( h_0(t) \), multiplied by the coefficients \( \beta_x \) as estimated from the data. Importantly, as a semiparametric model, no assumptions are made about the baseline hazard or the shape of the hazard function (constant, increasing, decreasing, variable) over time. The model also allows for the inclusion of both time-varying and time-unvarying covariates, both of which are present in my data. There is, however, an assumption that the shape of the hazard function is the same for all subjects (proportional hazards assumption), which is logical in my case, as we would expect that the main variables of interest affect organizational failure rates by shifting their hazard function up or down rather than by fundamentally altering its shape.

The unit of analysis in the models is the organization-year. Subjects (organizations) enter the risk pool in 2002 (the beginning period of observation), or at organizational birth if after 2002, and exit either when they fail or at the end of 2014 when the observation period ends. An alternative specification would have been to consider organizations at risk from the time of birth.
For SCICs, this would not change anything, as the SCIC organizational form was introduced in 2002 and, therefore, there were logically no SCICs in existence prior this time. For the non-SCIC organizations in the sample, however, the earliest entry into the risk pool in 2002 makes sense to the extent that consistent data on the community-level variables are not available prior to this time. The full model therefore considers the hazard rate of failure – notably the probability that organizations failed in the order in which they did – for each organization in the sample at yearly intervals between the beginning of 2002 and the end of 2014, based on the specified organizational and community-level variables. Ties - cases in which multiple organizations failed during a yearly interval and in which the exact order of failure is unknown due to data imprecision – were handled via the standard Breslow method (Breslow, 1974).

RESULTS

Below, I report on the findings from a series of Cox proportional hazard models testing for the effects of various organization and community-level variables on the survival of multi-stakeholder cooperative social enterprises. Figure 2.1 reports the basic Kaplan-Meier survival estimate for the entire organizational sample excluding any covariates (N=26,574 organization-year pairs) across the thirteen-year time span from 2002-2014. Among the initial 3551 organizations, there were 1044 failure events during this observation period, reflecting a 29% organizational failure rate. What is more telling, however, is how the hazard of failure function varies by community- and organizational-level characteristics.

---Insert Figure 2.1 about here---
Community-level Determinants

Figures 2.2-2.4 below provide a visual indication of the effects of several community-level factors on the survival of social and/or democratically governed enterprises. Table 2.1 offers a statistical test of these relationships and of hypotheses 1-4.

The first community-level factor hypothesized to affect social enterprise survival rates was the median income level of local households. Figure 2.2 shows the Cox-regression estimated hazard function by household median income, grouped into quartiles. Figures 2.9 and 2.11 in the appendix provide a more concrete picture of commune-level differences by mapping the hazard function onto specific values of median income (lowest, 25th percentile, median, 75th percentile, highest). From both figures we can conclude that the hazard rate of organizational failure is highest in communes with the lowest levels of median income (below the 25th percentile), but that there is virtually no difference in the hazard rate for communes past the 50th percentile. That is, once the median household income in a commune is above the median for the entire sample, additional increases in local household income do not meaningfully reduce the organizational failure rate.

Relatedly, Figure 2.3 considers the effect of the proportion of unemployed individuals at the commune level on the risk of organizational failure. Similarly grouped by quartiles, the figure suggests a rather surprising story. The risk of organizational failure seems to decrease among communes with higher proportions of unemployed residents. Interestingly, here it is the hazard functions of the lowest two quartiles that overlap, such that there is no meaningful difference across communes in which the proportion of unemployed is below the median of the overall sample. Figure 2.10 in the appendix confirms these conclusions by showing the hazard
function for communes with specific values of percent of population unemployed (lowest, 25th percentile, median, 75th percentile, highest).

---Insert Figures 2.2-2.4, Table 2.1 about here---

The third community-level factor hypothesized to affect organizational survival rates is the local political party in office. Figure 2.4 shows the hazard function for organizational failure based on six categories of political parties: far left, left, center, right, and far right. The results are quite telling. Communes with far-right mayors in office dramatically increase the risk of failure for social and/or democratically-governed organizations. However, since the number of such communes in the sample is relatively small it is more reliable to consider the relationship between the other two party categories. The lowest risk of failure occurs for communes with left or center parties in office, with a slight increase in the hazard among communes with either right or far left-leaning mayors. There therefore seems to be a “sweet-spot” in the center-left end of the political spectrum most favorable to organizational survival. The same graph regrouping only three categories (left, center, right) confirms these conclusions, with center and left-controlled municipalities posing similar and lower risks of failure than right-controlled ones.

To formally test hypotheses 1-4 regarding community-level variables, Table 2.1 reports the results of a Cox regression model, while Table 2.4 reports interaction effects. Model 3 includes community-level controls (population, Gini coefficient of inequality, measures of local resources and expenditures), while Model 4 adds the main predictor variables. Among the controls, only population and local tax receipts per capita are statistically significant, but the coefficients are ultimately meaningless, as they increase or decrease (respectively) the risk of failure by less than 0.1%. Among the main predictor variables, on the other hand, only the median household income
level reaches statistical significance, confirming that organizational failure risk decreases progressively with increases in local median household income levels relative to communes with the lowest median income levels (1st quartile). Consistent with Figure 2.2, however, the difference is most meaningful between the 2nd and the 3rd quartile, such that communes in which the median household income exceeds 75% of the sample’s median only reduce the hazard by 48% compared to 45% in the 50-75th percentile. With respect to the proportion of the local population that is unemployed, relative to communes within the lowest quartile, organizations in communes within the 2nd quartile actually have higher risks of failure, but this risk decreases progressively with higher proportions of unemployed residents (reduced by 9.5% in the 3rd quartile and by 30% in the 4th quartile with the highest proportion of unemployed). Note, however, that the results only reach statistical significance for the last group with the highest proportion of unemployed local residents.

These results help explain the surprising findings depicted in Figure 2.3, suggesting that community-level unemployment increases the risk of organizational failure up to a point but then decreases failure risks beyond the median level of unemployment. I offer a plausible explanation for this finding in the discussion section. The results of the Cox regression model testing for the effects of local political party orientation on organizational survival also confirm the visual interpretation of Figure 2.4. Although no level of the variable reaches statistical significance, the model confirms that communes with right-leaning parties in office are less favorable to organizational survival than communes governed by left and center-leaning mayors.

Together the results in Tables 2.1 and 2.4 test hypotheses 3-4. Although the results testing hypothesis 3a are statistically insignificant, the visual representation in Figure 2.4 lends credence
to the idea that far left and especially far right parties in office provide less favorable conditions for the survival of classic and social enterprise cooperatives than center or leftist parties. The significant interaction terms between the political party and governance form in Table 2.4 also suggest that being organized as a SCIC decreases the risk of failure across the political spectrum, except in communities already governed by center mayors. The test for hypothesis H4a is also statistically insignificant, but the direction of the coefficient is consistent with the suggestion that the risk of failure increases in unstable political environments. Interestingly, the number of political changes seems to reduce the risk of failure significantly, but this finding requires further elaboration to understand whether the change moved a community to the left, right or towards the center of the political spectrum.

Organization-level Determinants

Figures 2.5-2.8 graph the Cox-regression estimated hazard function by the hypothesized organization-level determinants of the survival of multi-stakeholder cooperative social enterprises. Figure 2.5 shows the relative hazard function according to the governance category of the organization: commercial enterprise (SA, SARL, SAS where governance is presumed to be predominantly hierarchical, N=5583 observations), single-stakeholder cooperative (classic cooperative organizations in which governance primarily involves the main stakeholder group is employees or producers, N=17,914), and multi-stakeholder cooperatives (SCICs, where governance is shared across at least three separate stakeholder groups, including an “outsider” group beyond employees/producers and beneficiaries, N=2690). The graph demonstrates that single-stakeholder cooperatives and commercial enterprises have very similar hazard functions.

Note that 376 observations corresponded to organizations organized as non-profits. However, since all non-profits in the sample survived the entire observation period, their hazard and survival functions could not be determined.
whereas SCICs exhibit a considerably lower and less steep hazard function, suggesting the multi-stakeholder cooperative form may be more resistant to failure. Figure 2.6 provides an even more clear demonstration of this via a binary comparison between SCICs and non-SCICs.

---Insert Figure 2.5-2.8 about here---

Figure 2.7 visually demonstrates differences in the hazard function according to the second hypothesized organizational-determinant: the category of activity. Specifically, it shows the results of a Cox-model regression estimated hazard function based on whether the organization’s sector of activity is predominantly social (e.g., health and social services, education, arts and culture) or commercial (e.g., trade, manufacturing, financial services), as determined by INSEE section codes. The figure suggests that the hazard functions are roughly proportional, but that organizations in the social sector tend to fail at lower rates than those in the commercial sector.

When broken down by more precise categories of activity (Figure 2.8), the findings are even more telling. Namely, they show that there is considerable variety within the commercial sector, such that organizations with manufacturing activities have a considerably higher hazard rate of failure than those in social sectors. The results of the estimated Cox model regression (Table 2.2) show that manufacturing activities increase the hazard ratio of failure by nearly 130% (hazard ratio=2.29, p<0.01), whereas operating in the energy sector reduces the hazard ratio – albeit not statistically significantly – by roughly 73% (hazard ratio=0.27, p>0.05), both relative to a reference category of health and social services.

---Insert Table 2.2 about here---
The above figures provide a visual indicator of the effects of governance form and sector of activity on the survival (failure) likelihood of different social and/or democratically-governed organizational forms. To formally test hypotheses 5 and 6, however, Table 2.2 provides the result of a Cox regression model including all relevant co-variates. Model 1 includes basic controls at the organizational level: organizational age and the number of employees grouped in brackets. Model 2 adds the main organization-level predictor variables: governance category and sector of activity. In terms of controls, both number of employees and age produce statistically significant results (p<0.001) albeit in opposing directions. Whereas additional employees progressively reduce an organization’s likelihood of failure (from a 76% reduction at 1-2 employees, to a 96.5% reduction at 100 employees or more relative to having no employees), each additional year of life increases an organization’s hazard of failure by 1.5%. The results in Model 2 also largely confirm the conclusions from Figures 2.5-2.8. Namely, relative to the classic commercial enterprise form, being organized as a single-stakeholder cooperative increases the risk of failure by nearly 22% (p<0.01), whereas the multi-stakeholder governance form of SCICs reduces this risk by 53% (p<0.001). Furthermore, relative to organizations operating in social sectors, the hazard rate of failure for organizations with commercial activities increase by 8.4%, although it fails to reach statistical significance.

Perhaps the most robust finding is in support of H5a; that is, being organized as a SCIC significantly reduces the risk of failure compared to a commercial enterprise, whereas being organized as a classic cooperative increases this risk. The effects of sector of activity on risk of failure were not statistically significant, though, contrary to H6, the direction of the coefficient suggests that organizations operating in the social sector are at a slight advantage.
**Full Model and Interaction Effects**

Table 2.3 (Model 5) below reports on the full Cox regression model, including all covariates and controls. The results largely confirm the conclusions from the separate Models 1-4 for both organizational and community-level factors. The final set of analyses (Table 2.4) concern the tests for hypotheses 7-8, which predict an interaction effect between organizational and community-level determinants of organizational survival. That is, rather than examining factors at these different levels of analysis separately, I suggest that the effect of community-level factors such as the political party (models 1a-1b), median household income (models 2a-2b), and the proportion of the population unemployed (models 3a-3b) are likely to affect organizational survival differently depending on the organization’s governance form and sector of activity.

---Insert Tables 2.3-2.4 about here---

The results shown in Table 2.4 lend support to the conclusion that multi-stakeholder social enterprise cooperatives (SCIC) are fundamentally different from related forms of social and/or democratically governed organizations. For instance, in communes led by mayors across the political party spectrum – with the exception of centrist parties – being organized as a SCIC exponentially reduced an organization’s risk of failure relative to commercial enterprises and classic (single-stakeholder) cooperatives. The same is not true for the interaction between an organization’s sector of activity and the political party in power, wherein I find no statistically significant effects. With respect to the median household income of the commune in which the organization is located, the interaction with being governed as a SCIC is also significant at all but the lowest level of household income (1st quartile). That is, multi-stakeholder governance reduces the risk of organizational failure even more for organizations located in relatively rich
municipalities. In terms of the organization’s sector of activity, although operating in both social and economic sectors further reduces the risk of failure in communities with higher incomes, social-sector activities do so to a greater extent (e.g. by 60% versus 35% in communes within the highest quartile of median income). Lastly, models 3a-3b show that the repressive effect of multistakeholder governance on risk of organizational failure at high levels of community unemployment is multiplicative, such that being organized as a SCIC is even more of a protection against risk of failure as the proportion of unemployed in the community increases. Unlike in the previous two cases, however, the findings with respect to sector of activity suggest that as levels of unemployment in the community rise, it is organizations engaging in commercial rather than social activities that have a protective effect on organizational survival, reducing the hazard ratio of failure.

Robustness Checks

I used several alternative statistical models to test for the robustness of the findings. First, I tested alternative groupings or categorizations for several main variables, including: a four versus six-category political party variable; a four versus binary (SCIC/non-SCIC) governance variable; both continuous and ordinal variations (based on quartiles) of commune-level median income and proportion of the population unemployed; and variations of the commune population variable based on reported numbers, as well as forward and backward estimates. The basic conclusions from the results do not change based on these variations.

More substantively, I also ran a random effects logistic regression – grouping the data into a panel by organizational ID and year – as an alternative to the Cox regression model. The findings pertaining to the organizational-level variables do not differ meaningfully across the two models, whereas those for community-level variables exhibit some differences.
DISCUSSION AND CONCLUSION

This paper started out with a rather straightforward empirical puzzle: why are there so few registered social enterprise multistakeholder cooperatives (SCICs) in France, despite concerted efforts to promote the organizational form and given all the shortcomings of traditional for-profit and non-profit forms which hybrid forms are supposed to overcome? A simple answer is suggested by existing literature. Hybridity offers certain benefits – such as access to a diverse range of resources and a certain level of flexibility (Doherty et al., 2014) – but it also comes with numerous challenges related to sustaining a dual mission, stakeholder engagement, and securing legitimacy in the eyes of internal and external stakeholders (Mair et al., 2015). The present study offers more nuanced insights into the combination of organizational and community-level factors that help and hinder the survival of multistakeholder social enterprise cooperatives, relative to similar forms that do not qualify as social enterprises.

The most striking finding is that the multistakeholder cooperative form is overwhelmingly an asset when it comes to organizational survival. Whereas classic cooperatives may face many of the challenges typically associated with democratically governed organizations, and are therefore at an overall higher risk of failure than commercial enterprises in my sample, SCICs seem to overcome these risks and significantly increase the probability of organizational survival. That is, while the multistakeholder governance form may itself pose a number of coordination and stakeholder engagement challenges, it also appears to infuse cooperative social enterprises with a level of resilience not found among traditional single stakeholder cooperatives. It may therefore be quite difficult to get a SCIC off the ground in the first place – partially
explaining their low overall number – but once such organizations are launched, they appear to be quite sturdy.

Beyond the specific variables examined in this paper, several broader explanations might be offered for this rather surprising success. First, it is important to clarify that “success” in this case refers only to the survival of the organization rather than its ability and relative effectiveness in achieving its social mission. Therefore, it may be that the SCICs that survive function essentially like classic enterprises while maintaining a bare minimum of SCIC characteristics, whereas those that truly pursue both social and commercial goals are at a higher risk of failure. This would imply a selection effect within the category of SCICs, such that the higher rate of survival is driven by SCICs who are multistakeholder cooperatives primarily in name rather than in practice. At the same time, given that their organizational form affords them certain flexibility in access to diverse resources and potentially mitigates some of the competitive pressures experienced by classic corporations, the very label of SCIC may contribute to their likelihood of survival.

Alternatively, it could be argued that SCICs operate under softer budget constraints (Kornai et al., 2003) – as I discuss in the limitations – than classic cooperatives or corporations, such that access to various forms of public subsidies allows for their survival even when hard budgetary constraints would predict their failure. For the reasons discussed below, this alternative explanation is less straightforward than it would appear. For instance, based on a survey and interviews with city officials, Korosec and Berman (2006) find that reported municipal support is considerably stronger in terms of providing indirect resources (e.g. “encouraging community organizations to work together” – 70.3% strongly agree; and “helping them deal with various
government agencies” - 53.5% strongly agree) rather than direct resources (e.g., “contributing start-up funding for private organizations that address important social issues and problems” – 19.8% strongly agree). This would suggest that the survival advantage of SCICs may partially be attributed to their greater access – relative to classic cooperatives or corporations – to non-financial resources and forms of local support. Ultimately, this is an empirical question worth exploring.

Third, it is important to consider that the primary comparison group in this paper is classic (non-multistakeholder) cooperatives or SCOPs. Relative to this organizational form, we might indeed expect SCICs to have a greater likelihood of survival for reasons exposed in the review of the literature. Namely, classic cooperatives are in a somewhat unfortunate position in which they are subject to the challenges of SCICs (democratic governance, constraints on distribution of profits) but also lack the potential advantages of the multi-stakeholder model. The ability of SCICs to combine resources from private investors, public authorities, and individual citizens, as well as their access to a combination of volunteer, wage, and subsidized labor are all potential advantages that might explain their higher rate of survival.

Taking the community embeddedness of organizations seriously, this paper also argues that it is not merely organizational-level factors that are important to determining the survival and failure of social enterprises. Community characteristics matter, and they are likely to matter differently for distinct types of organizations. Namely, the paper confirms the previously established relationship between progressive (left-leaning) political parties and alternative organizational forms that counterbalance traditional corporations (Schneiberg, 2017). However, the findings also show a more nuanced story. Namely, it is parties at the extremes (either far left
or right) that are ultimately detrimental for the survival of social enterprise cooperatives. A more balanced political scene of center-left parties in office is what reduces the risk of failure for such organizations. Even more interestingly, it is not merely a community’s political orientation that matters but also the level of party stability (independent of who is actually in office). Notably, in times of stability (in this case, at least thirteen years of no drastic change in ruling party), SCICs fare much better than classic cooperatives or commercial enterprises. Under unstable political conditions, however, the risk of organizational failure increases across all organizational forms, and most so for SCICs (although the results are not statistically significant). In other words, the multistakeholder cooperative form may be especially beneficial when a favorable ruling party is in office, but it may become a liability as soon as there are political changes at the community level. These findings again bring clarity to debates over whether alternative organizational forms – notably cooperatives – are better able to withstand environmental shocks than traditional corporations.

Lastly, the findings speak to the paradox whereby social enterprises must exist in communities that are both characterized by social needs (implying a somewhat more limited infrastructure for organizational development and survival) and by a certain level of market opportunities (implying relatively lower levels of need). To the extent that social enterprises construct their opportunity space in relation to community needs, it makes little sense for them to be founded and to endure in communities with very high levels of income and employment and low levels of social exclusion. Yet, due to their hybridization of resources, social enterprises must also rely on market opportunities to ensure their financial stability. This study offers a possible resolution to this paradox.
Overall, the paper also contributes to connecting otherwise disparate conversations between scholars of social entrepreneurship and of organizational ecology. Thus far, the social enterprise literature has lacked extensive quantitative studies, and even more so, evidence beyond case studies of the factors that may contribute to the survival or death of these hybrid organizations. The present is therefore a first attempt to map out the combination of community and organizational-level determinants of organizational survival. This is an especially important endeavor, given the considerable amount of local, national, and supranational resources (e.g., European Union, Organisation for Economic Development and Cooperation, United Nations) being devoted to promote the founding and growth of social enterprises and hybrid organizations.

**Limitations and Future Work**

As with any study, this one has its limitations. An important one is the lack of a third comparison group that would allow for the drawing of more robust conclusions about the effects of democratic governance on the survival of social enterprises. As mentioned in the introduction, there exists another type of social enterprise in France that meets three of the four inclusion criteria established by the European Commission. The *entreprise solidaire d’utilité sociale* (ESUS) is a label granted to organizations that carry out an economic activity but are recognized by government authorities to act in the public benefit. The label is a sort of certification, but it makes no demands on organizations in terms of governance form. That is, ESUS-labeled organizations need not be democratically governed, but they necessarily act in the public benefit, unlike classic cooperatives. Obtaining a complete list of active and former organizations that have obtained the ESUS status proved impossible for this study, but future work could leverage
this comparison group to more clearly distinguish between different forms and degrees of hybridity.

A second limitation concerns the absence of consistent and more fine-tuned data on the alternative funding sources for SCICs compared to classic cooperatives and classic corporations – notably with respect to public subsidies and private donations. The case of SCICs is particularly interesting in this regard, as their eligibility for subsidies and donations is subject to the same regulations as for any classic corporation, with one notable exception. That is, like any private enterprise, SCICs can receive public subsidies (including access to publicly owned property, direct subsidies, tax exemptions, etc.) to the extent that the latter are not deemed to constitute an unfair competitive advantage. Similarly, and unlike for non-profit organizations, any private donations received by the SCIC are subject to tax. However, given that public authorities can officially be shareholders and members of SCICs, contributions in the form of capital ownership in the SCIC are not considered public subsidies, although they act as such de facto. This unique position suggests that questions of soft budget constraints (Kornai et al., 2003) may be more applicable to SCICs than to classic cooperatives or corporations, potentially providing an alternative explanation for their disproportionate survival rate. Future studies could thus test for the effects of hard and soft budget constraints on SCIC survival, all while taking into consideration the numerous hidden ways in which even highly liberal states subsidize social welfare and private interests (Howard, 1997).
CONCLUSION

The fact that organizations are embedded in communities is hardly controversial. Especially for hybrid organizations – among them social enterprises – communities are not merely a feature of the surrounding environment. Instead, they constitute a key dimension along which such organizations evaluate their purpose, acquire legitimacy, and pursue their social goals. Community characteristics therefore clearly matter for the survival and development of hybrid organizations, but they don’t matter for all hybrids equally. By considering the combined effects of community and organizational-level factors on hybrids’ survival, we can better appreciate why policies that promote social enterprises are likely to benefit some communities and some types of organizations more than others.
CHAPTER 3

Relentless pragmatists, idealists and creative multi-hybrids: Managing participatory democracy in multi-stakeholder, hybrid organizations

INTRODUCTION

The past decade has seen increasing interest in hybrid organizations (see Battilana and Lee, 2014), which actively combine multiple competing demands, logics, and organizational forms. These organizations, including social enterprises and public-private partnerships, have drawn scholarly and practitioner attention for their promise of simultaneously achieving economic sustainability and social welfare. Among the various challenges faced by hybrid organizations, the difficulty of operating under established, but ill-adapted, for-profit and non-profit organizational forms is among the most emblematic. Given the increasing legitimacy and prevalence of hybrid arrangements (Huybrechts and Haugh, 2017), many countries have therefore adopted new legal frameworks with the precise aim of better connecting organizational form to hybrids’ diverse purposes and functions (Galera and Borzaga, 2009). The introduction of benefit corporations in the United States, community interest companies in the United Kingdom and multistakeholder cooperatives for the public benefit (SCICs) in France thus presumably attenuates a key source of tension in hybrid organizations. Yet, despite these legal developments, hybrids continue to face challenges in accessing resources, sustaining growth, achieving their social purpose, and meeting the expectations of diverse stakeholders (Battilana and Lee, 2014; Doherty et al., 2014; Ebrahim et al., 2014). This paper argues that understanding the persistence of such challenges requires deeper investigation into the internal governance of hybrids. That is, how do already hybrid
organizations manage additional layers of hybridity – namely imperatives related to participatory democratic governance?

From existing literature, we know a good deal about how hybrid organizations respond to institutional demands and pressures to integrate commercial and social welfare values (Battilana and Dorado, 2010; Jay, 2013; Pache and Santos, 2013). We know considerably less about how they manage internal and political tensions related to their daily governance and operations – the nuts and bolts of organizational life. Yet, governance is essential to understanding how things get done in organizations, including questions around the organization’s purpose and its management of control, ownership, and decision-making (Aguilera et al., 2008; Hambrick et al. 2008). Recently, scholars have also suggested that governance is a potential mechanism through which hybrids can integrate diverse stakeholder needs and values in a participatory decision-making process (Battilana et al., 2018; Mair et al., 2015). Empirical work on how participatory democracy is managed in such organizations is thus warranted and currently underdeveloped.

On the other hand, we know from the literature on alternative organizational forms how democracy can be managed in non-hybrid organizations, in which the interests of a single stakeholder group tend to dominate, such as in classic cooperatives and collectivist organizations (Brown, 1985; Chen, 2015; Forcadell, 2005). If we take seriously the suggestions that hybridity may eventually be the organizational norm rather than the exception (Battilana et al., 2018; Ocasio and Radoynovska, 2016), that participatory and non-hierarchical forms of governance are similarly making a comeback (Rothschild, 2016), and that modern-day organizations increasingly blur the boundaries between internal and external stakeholders, it thus seems essential to understand how such complex organizations manage multiple forms of hybridity. Moreover, participatory
democracy is a defining element of hybrid organizations in many empirical contexts outside of the United States, notably in Europe and Latin America (Borzaga and Defourny, 2001; Defourny and Nyssens, 2014). By studying multistakeholder cooperatives for the public benefit – a hybrid form that combines commercial, social, and political imperatives – this paper aims to contribute to such an understanding. In such organizations, we might expect the management of democracy to function differently from both single-stakeholder non-hybrids (e.g., traditional worker’s cooperatives) and conventional hybrids (e.g., social enterprises) in which scholarship has emphasized commercial-social tensions over tensions related to governance.

Specifically, the paper makes two primary contributions to the literature. First, by investigating the intersection of organizational form, hybridity, and democratic governance, it contributes to a politicization of the literature on hybrids. It therefore helps to move beyond the study of the social-economic dichotomy (Lautermann, 2013; Santos, 2012) and into the messy work of how mundane organizing does (doesn’t) get done in hybrids. Second, the paper contributes to the literature on democracy in organizations by identifying strategies for enacting participatory democracy in multi-stakeholder cooperatives. Whereas governance typically involves prioritizing shareholder interests in classic corporations (see Lazonick and O’Sullivan, 2010), or the interests of employees in cooperatives (Cheney et al., 2014), governance in multi-stakeholder hybrid cooperatives involves more complex considerations of which stakeholder groups to engage in the first place, in what capacity, and how.

The empirical context for this study is the multi-stakeholder social cooperative form (société cooperative d’intérêt collectif, or SCIC), introduced in France in 2001. The SCIC is a modification of existing cooperative forms. It preserves the democratic governance provision of
decoupling voting rights from capital ownership but specifies that the organization’s social purpose should apply beyond its internal employees or producers. To understand how organizations that adopt this peculiar form manage multiple forms of hybridity (social, economic and political), I rely on interviews with SCIC founders and/or directors, as well as archival data on each organization and the population of SCICs as a whole within the Ile de France region of France. I argue that SCICs can generally be characterized according to four profiles: relentless idealists, reformist idealists, relentless pragmatists, and creative multi-hybrids. Each profile implies a particular set of reasons for choosing to organize under the SCIC form, as well as distinct reactions to economic and/or governance challenges faced by the organization. Besides creative multi-hybrids, the other three profiles describe SCICs that tended to react to such challenges by either closing down to preserve the ideal of democratic governance, adopting more hierarchical governance forms to survive, or expressing disappointment with the SCIC form and contemplating converting away of it. By contrast, creative multi-hybrids tended to adopt specific strategies that allowed them to sustain their social, economic, and democratic governance imperatives – albeit it by accepting compromises along each dimension. Notably, they protected the project’s identity, professionalized democracy, and segmented power.

The four SCIC profiles and their implications for managing participatory democracy and hybridity are discussed following a review of relevant literature and a description of the empirical context and research methods. The discussion summarizes the findings and draws implications for the management of multiple forms of hybridity.

THEORETICAL BACKGROUND
Organizational form (i.e., the configuration of accepted structures and practices, such as those associated with for-profit, non-profit, public, and hybrid organizational arrangements) is essential to understanding an organization’s purpose, function, and relationships (Rindova and Kotha, 2001; Schneiberg et al., 2008). The vast literature on the importance of organizational form generally considers questions at two basic levels. For the population as a whole, what explains the diversity of forms in a community of organizations (Boone and Ozcan, 2014; Schneiberg et al., 2008), and how are new organizational forms created and legitimated (Tracey et al., 2011)? For organizations, why do founders choose to organize under particular forms, and what are the consequences for organizational decision-making, access to resources, external evaluations, and identity (Clemens, 1996; Rindova and Kotha, 2001; Townsend and Hart, 2008)? This paper deals with the latter set of questions in the context of a specific organizational form – multistakeholder cooperatives with a social purpose. As archetypical hybrid organizations that combine commercial activity, a social purpose, and – in the European definition – democratic governance (Defourny and Nyssens, 2008), multistakeholder cooperatives face unique challenges pertaining to their hybrid goals and governance. Below, I review the literature on organizational form as it relates to managing each of these dimensions – hybridity and democratic governance – and their intersection in multistakeholder cooperatives.

**Managing Hybridity Through Organizational Form**

The past decade has seen increasing interest in hybrid organizations that must simultaneously manage competing imperatives within the same organizational structure (Battilana & Dorado, 2010; Hudson, 2009; Stevens et al., 2014). Accordingly, Battilana and Lee (2014: 403) advance the concept of *hybrid organizing* to define the “activities, structures, processes and
meanings by which organizations make sense of and combine multiple organizational forms.” While hybridity can offer certain competitive advantages for organizations (Kraatz & Block, 2008; Seo and Creed, 2002), the majority of scholarship to date considers how hybrids address the challenges and tradeoffs associated with fulfilling a dual mission and diverse stakeholder interests (see Doherty et al., 2014). For instance, Ebrahim et al (2014: 83) summarize these challenges as involving “accountability for dual performance objectives and accountability to multiple principal stakeholders.” Studies within this research agenda have thus focused on identifying organizational strategies for dealing with manifest tensions in hybrids, including: constructing a shared logic through the mobilization of emotions (Fan and Zietsma, 2017); selecting organizational members for openness to hybrid logics (Battilana and Dorado, 2010); relegating responsibility for activities associated with different goals/values to distinct groups (Battilana et al., 2015); and updating the organization’s legal form in order to preserve flexibility and achieve strategic gain (Haigh et al., 2015).

At their core, such challenges arise from hybrid organizations’ defiance of traditional for-profit or non-profit organizational forms. That is, the majority of existing legal frameworks continue to classify organizations according to established forms, which are generally inappropriate for the mixed needs of hybrids (Haigh et al., 2015). When competing in markets with traditional (non-hybrid) for-profit organizations, hybrids thus risk prioritizing economic over core social demands, leading to possible “mission drift” (Ebrahim et al., 2014; Ramus and Vaccaro, 2017). The emergence of new legal forms – such as Benefit-corporations in the US, and community-interest companies in the UK – is posited to mitigate some of these tensions by providing hybrids with designated legal frameworks adapted to their multiple imperatives (see...
Galera and Borzaga, 2009). If we adhere to this argument, however, it remains puzzling why hybrid organizations that adopt designated forms continue to struggle to survive, develop economically, and fulfill their social missions. For instance, Ebrahim et al. (2014) argue that while the introduction of designated legal forms can attenuate some of the typical tensions in hybrids, they cannot resolve them without additional governance mechanisms.

Thus, while we now know a considerable amount about different organizational strategies for managing institutional tensions over social and economic goals, values, and identities in hybrid organizations, we know considerably less about the challenges and strategies for engaging different stakeholder groups in the daily activities of such organizations. Accordingly, this paper seeks to go beyond the well-investigated question of how hybrids manage tensions over what the organization wants to achieve (the “right” combination of social and commercial goals) to address the more neglected question of how the organization plans to achieve its competing goals, particularly via stakeholder engagement and participation in democratic governance.

**Managing Participatory Democracy in Alternative Organizations and Hybrids**

The study of democracy has been starkly absent from organizational scholarship in recent decades. In their review of the literature in recent decades, Battilana et al. (2018) note that democracy has been “a dormant topic” in organization theory, despite the fact that early scholarship was actively concerned with alternatives to hierarchical organizational forms. However, the authors also note that recent organizational trends – such as the increasing pursuit of multiple organizational objectives besides financial and efficiency ones – warrants renewed attention to democracy. Namely, the authors argue that democracy’s concrete advantage “over
both hierarchical and non-hierarchical alternatives…lies in its capacity to integrate diverse values in decision processes” (Battilana et al., 2018: 8).

Indeed, scholars interested in hybrid organizations have identified governance (broadly) as a means of balancing competing prescriptions from social and economic objectives. For instance, in their survey of 70 social enterprises, Mair et al (2015) find that those which identify strongly with either the commercial or the social welfare logic tended to adopt the respective prescriptions on governance. On the other hand, social enterprises without a strong identification to either logic “defy or selectively couple elements prescribed by both logics or innovate by adopting new governance practices” not prescribed by either (2015: 714). The organization’s identification patterns, in turn, influenced who was represented on governing boards (e.g. financial resource providers, beneficiary group) and the kinds of decisions they were involved in. Relatedly, Mason and Doherty (2016) offer some strategies for addressing specific governance challenges in hybrids in their study of fair-trade social enterprises. The authors find that improving board-level engagement from producers required instituting pre-board meetings as well as an induction program for new board representatives in order to introduce them to the key aspects of governance. Although these studies make important contributions to our understanding of the broad functions of governance in hybrids, they have less to say about the specific management of participatory democracy in such organizations.

Instead, such questions have generally been taken up by scholars of cooperatives and other alternatives to organizational hierarchy. Democratically-managed organizations such as workers’ cooperatives and mutual aid societies have long been heralded as contributors to social and economic development (Ingram and Simons, 2000; Zeuli and Radel, 2005), potential regulators of
financial markets and capitalism (Schneiberg et al., 2008), and promoters of a committed workforce, employee retention, and employee health (see Harrison and Freeman, 2004; Foley and Polanyi, 2006). Under certain conditions, they have also been shown to be more resilient than hierarchical corporations (Boone and Ozcan, 2016; Nuñez-Nickel and Moyano-Fuentes, 2004; Moore and Kraatz, 2010). Practitioner literature similarly evokes the virtues of democratic governance. The Best Practice Guide for organizations in France’s Social and Solidarity Economy (Conseil supérieur de l’Économie Sociale et Solidaire, 2017) notes optimistically that democratic governance is beneficial for performance due to the increased responsibility and project ownership among members, balanced and more legitimate decision-making in pursuit of collective interest, and improved risk management as a result of such balanced decisions.

At the same time, high coordination costs, slow and complicated decision-making, and the challenges of reaching consensus can all jeopardize organizational efficiency, growth, and ultimately survival among democratically-governed organizations (see Johnson, 2006). Integrating multiple stakeholder groups within the governing board can also present major challenges in hybrids. For instance, in their study of stakeholder representation on the governance boards of social enterprises, Crucke et al (2016) find that faultline strength – the degree to which groups are split into subgroups based on characteristics that may lead to conflict – is associated with lower levels of board service performance. For the above reasons, Kerr (2004) suggests that democracy will only be implemented and sustained in organizations where it makes a significant contribution to competitive advantage and performance. As the author argues, “[d]one for other reasons or without sufficient performance justification, the democratic experiment will be an expensive failure” (Kerr, 2004: 94).
Among the few scholars that have taken organizational democracy seriously in recent decades, therefore, the vast majority offer only conceptual tools for assessing the pros and cons of democratically-managed organizations, including evaluating the business case for democracy (Johnson, 2006; Kerr 2004). Far fewer are studies that examine such organizations empirically and draw conclusions about the practical, inner workings of this peculiar organizational model, including how democracy is structured and maintained. Notable exceptions are Brown’s (1985) study of membership participation in food cooperatives, Forcadell’s (2005) study of the Basque federation of cooperatives, Mondragón, and Chen’s (2015) study of scalable participatory democracy in the Burning Man organization.

Among the earlier studies, Brown (1985) finds that particular aspects of organizational structure and processes help sustain participatory democracy in food cooperatives. Namely, these are “[de-]centralization of decision-making authority, decision-making procedures, specialization, the structure of incentives and rewards, reliance on volunteers, degree of discretion allowed to volunteers, and use of multiple information channels” (Brown, 1985: 314). Similarly, Forcadell (2005) demonstrates that rather than ideological variables, it is organizational factors (corporate culture, organizational structure, a democratic process of strategic planning) that are the key determinants of success of Mondragón’s cooperative experience. Chen (2015: 71), in turn, argues that Burning Man has been able to largely preserve its participatory and democratic practices despite growing from “20 friends and family in 1986 to a temporary arts community of more than 66,000 persons in 2014” by: decentralizing agency and decision-making authority, contextualizing norms and practices through storytelling, and “communifying labor” by placing great value on member contributions. Importantly, however, the author recognizes that Burning Man is a
punctuated, yearly event that requires sustained member commitment and participation for a distinct period of time. This is in contrast to permanent organizations, such as multistakeholder cooperatives, that require such engagement on an on-going basis.

Two shortcomings are notable in the literatures on governance in hybrids and participatory democracy in other types of organizations. First, the former adhere to the basic premise that governance challenges stem from hybrids’ competing values and goals, such as for meeting dual performance objectives (social/economic) and accountability to diverse stakeholders (Doherty et al., 2014; Ebrahim et al., 2014). This assumes that diverse stakeholders are sufficiently engaged in the life of the organization to express divergent values and goals, leading to salient tensions (Ashforth and Reningen, 2014). What is largely missing, however, is examination of the specific challenges related to engaging stakeholders in such organizations in the first place.

Second, studies of participatory democracy in cooperatives and other alternative organizational forms similarly start with the premise that such organizations already enjoy a level of member commitment to democratic practices that “simply” needs to be sustained over time and/or scaled. Indeed, democracy implies both rights and obligations on the part of organizational members (Battilana et al., 2018) such that having a voice is not enough if members do not actively utilize it. Existing studies thus emphasize the importance of creating and sustaining a culture of democracy in order to implement democratic and participatory principles in the long run. However, the cooperative form studied in this paper already assumes that such a culture exists. That is, joining a cooperative versus a more hierarchical organization implies that members are aware of and attracted to at least some aspect of the democratic organizational model. The question then
becomes, how precisely do democratic, hybrid organizations manage when such rights and obligations to participate are not honored by members?

**EMPIRICAL CONTEXT**

Among hybrid, democratically-governed organizations, multi-stakeholder cooperatives combining a revenue-generating model with a social purpose are a particularly apt exemplar. The *société cooperative d’intérêt collectif* (SCIC) was introduced in French legislation in 2001 and is considered the country’s official social enterprise form (Lindsey and Hems, 2004). Albeit with country-specific elements, the form is comparable to Community Interest Companies in the United Kingdom, Type A and Type B Social Cooperatives in Italy, Solidarity Cooperatives in Québec, and benefit corporations in the United States. Three elements are central to the entity. SCICs are:

1) *companies*, meaning they take on existing corporate, commercial forms (e.g., limited liability company), are registered with the Registry of Commerce, and are subject to corporate taxes on anything remaining after at least 57.5% of surplus revenue has been placed in asset lock.

2) *taking on a cooperative form*, wherein decision-making is based on the democratic principle of one person equals one vote in the General Assembly, irrespective of capital ownership. Depending on the corporate form they take (LLC, simplified incorporated company, or incorporated company), SCICs can be governed by a managing director or a board and Director General.

3) *for the collective interest*, such that different stakeholder groups commit to a common social purpose, embedded within a geographic community or economic sector. The representation of at least three stakeholder groups is mandatory in SCICs: employees (or,
in their absence, producers), beneficiaries (which can be freely defined by the organization as clients, providers, volunteers, etc.), and a third group, such as private companies, investors, non-profits, and local authorities. Outside of the latter requirement, SCICs are free to define the basis and contours of stakeholder groups rather freely, based – for instance – on the type of actor, their profession, or their motivation and role in the project (CGSCOP website, “catégories d’associés”).

The last two dimensions capture the peculiar multi-stakeholder governance model of SCICs and differentiate them from traditional worker, production and agricultural cooperatives, in which benefits accrue internally to members of the organization. The democratic governance imperative also distinguishes SCICs from traditionally-defined social enterprises in the United States, which refer to a combination of social and commercial goals without particular attention to forms of governance (Defourny and Nyssens, 2010). In their manifesto, issued in November 2015 and signed by 580 entities, SCICs collectively affirmed this multi-hybrid (social, economic, political) role, stating: “Through their legal form and, moreover, their social project, our cooperatives incarnate principles and values that are the source of social cohesion and economic effectiveness: the right to vote and the capacity to participate granted to everyone…the priority given to the [social] project over short-term profit, collective action for the benefit of a territory or sector of activity” (SCIC Manifesto, 2015).

Since its founding in 2001, the SCIC form has undergone several important legal developments. An amendment in the same year clarified “collective interest” as encompassing an organization’s contribution to emerging or unmet needs, to the social and professional integration of individuals, to developing social cohesion, and/or to accessing goods and services, achieved via
a multistakeholder governance model. In 2012, another amendment (*loi no. 2012-387*) made it easier to found and/or transform into a SCIC by removing the previous obligation to obtain specific authorization from the regional prefecture. In July 2014, a more comprehensive law (*Loi no. 2014-856, named Loi ESS*) controversially decoupled the historical association between organizational form and social purpose. That is, whereas previously only those organizations constituted as cooperatives, mutual aid societies, non-profits and foundations were considered part of the social and solidarity economy, the new legislation integrated for-profit organizations with a social purpose into the definition. It further increased the proportion of authorized capital held by local authorities in SCICs from 20% to 50% and made it mandatory for SCICs to include information about the evolution of the cooperative project (its social purpose and governance) in their annual reports. The provisions took effect as of January 1, 2016.

In terms of their importance, the website of the confederation of cooperatives and SCICs (CGSCOP) lists approximately 692 SCICs in activity as of August, 2017. These organizations operate in virtually all economic sectors, including culture, renewable energy, agriculture, housing, and consulting and business-to-business services. Approximately two thirds of SCICs are created ex-nihilo, and the vast majority (nearly 80%) have fewer than 10 employees, with only 5% reporting more than 50 employees.\(^1\) Figure 3.1 shows a breakdown of the national population of SCICs by sector in 2017, compared to the breakdown in my interview sample. Figure 3.2 shows the evolution in the number of SCICs founded – as well as those that ceased operations – between

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\(^1\) Presentation of key figures at the CGSCOP Agora. February 4, 2016. Available at https://www.youtube.com/watch?list=PL4vxBb4nA-QxicBeT3pbdS1dOp2bmGZyN&time_continue=43&v=j4OOtPtxCrw
2002 and the end of 2015 (the study period for this paper), with a noticeable increase in SCIC founding rates in recent years.

---Insert Figures 3.1,3.2 about here---

RESEARCH METHOD

As is true of most inductive research (e.g., Eisenhardt, 1989; Gioia et al., 2013), the paper is based on qualitative data derived from several sources and described in greater detail below.

Interviews

The primary source of data are semi-structured interviews with founders and/or directors of SCICs in the Ile-de-France region of France. I first obtained a complete list of active SCICs in the region as of September 1, 2015 via the directory available on the CGSCOP website. I also contacted a CGSCOP representative, who was able to provide me with a list of SCICs that had ceased operations and were therefore no longer listed in the directory. This resulted in a list of 56 SCICs that were or had been in operation in Ile-de-France between January 1, 2002 and September 1, 2015. I contacted all 56 organizations, among which members of twenty-eight agreed to be interviewed. The organizations cover a range of sectors from arts and culture, to alternative currencies, consulting, fair trade, sustainable energy, and leisure. About half of the SCICs interviewed were created ex-nihilo, three had closed down at the time of the interview, and four were either considering or undergoing a major transformation (e.g., to another organizational form, or in terms of governing body). Table 3.1 provides additional characteristics of the SCICs interviewed.

---Insert Table 3.1 about here---
Interview questions covered four main topic areas: 1) the social purpose and business model of the organization, 2) the reasons for adopting the SCIC form, 3) the internal governance structure and organization (e.g., the number and category of stakeholder groups, the decision-making model), and 4) the organization’s experience with the SCIC form/democratic governance (i.e., perceived advantages, major challenges, evolutions and potential changes to the use of the form, such as considerations of modifying the governance structure or converting to a different legal structure). All interviews were conducted in French, lasted an average of one hour, and were audio-recorded and later transcribed by a third party.²

Archival Sources

To complement interview data and allow for data triangulation (Denzin and Lincoln 2011), I rely on archival organizational and sector-specific documents. With respect to SCICs, these data include organizational statutes, annual reports, websites, news articles, and presentational material which was either available online or was provided to me during interviews. These sources allowed me to corroborate or challenge interview findings by providing information on: the statutory rules for decision-making; the organization’s degree of identification with the SCIC form (e.g., whether they made their form evident in presentational material; how they presented the choice to organize under this form); and more specific information about the organization’s activities and social purpose (from websites, news articles and annual reports). Furthermore, the archival sources cover both internally and externally-oriented documents, allowing an appreciation for how the SCICs presented themselves to different stakeholder groups and external audiences.

² With the exception of one interview, in which the respondent preferred that I take notes and noted that the response would be more honest without the audio-recorder.
I further rely on archival documents pertinent to the SCIC population as a whole, obtained primarily from the website and archives of the CGSCOP. These include: legal texts regarding the history and evolution of the SCIC statute; a detailed FAQ section with responses to everything from “who can hold capital in a SCIC?” to “how can decision-making be organized?”; reports on the characteristics of the population of SCICs; summaries of major events (e.g., the 10th year anniversary of the SCIC statute, the first general meeting of SCICs); guides for SCIC best practices; the SCIC manifesto; programs for training sessions offered by the CGSCOP; and results of studies and research projects relevant to the SCIC form and practices. These documents offered an important lens into the broader legal and institutional context for this hybrid, multistakeholder, cooperative form. Table 3.2 provides information on the list of archival documents used in the analysis.

---Insert Table 3.2 about here---

**Analysis**

Consistent with qualitative research, analysis proceeded in iterative steps and involved repeated comparison between elements of emerging data (Glaser and Strauss, 1967; Strauss and Corbin, 1998).

**Phase 1.** In an initial phase I conducted a round of open coding (Gioia et al., 2013) in which I labeled interview passages with first-order codes corresponding to the four major topics covered in the interviews. This produced codes close to interviewee’s own language, such as “organization’s social purpose is to provide access to services [support an alternative economy; decrease precariousness among a vulnerable population]”; “choice of legal form because good fit with project [allowed to develop economically; gives access to networks; adherence to cooperative...
values]”, “major legal form challenge is administrative burden [maintaining level of commitment among members; unfamiliar to external actors; unattractive to private investors]”; and “governance model – decision making rules [type of stakeholder groups; internal debates on decision-making rules and practices].”

**Phase 2.** During the initial data collection period, I began to notice that interviewees emphasized challenges related to engaging stakeholders in governance more so than those related to traditional aspects of hybridity, such as managing tensions between stakeholders advocating for social versus economic goals and values. I therefore undertook a second round of coding and focused more specifically on how SCICs experienced internal governance challenges, as well as any strategies they mentioned for overcoming the latter. In comparing and contrasting the approaches of different organizations, it soon became clear that some organizations spoke in very idealistic terms about the multistakeholder, democratic governance model, while others took a more pragmatic approach. For instance, some interviewees emphasized choosing the SCIC form because it “fit with their cooperative values” and because they hoped it would serve as a “proof of concept” that this alternative organizational model could succeed in a capitalist economy. Meanwhile, others focused on the practical elements of the SCIC form (e.g., access to alternative sources of funding, formalizing commitment from local authorities, projecting a positive – yet more professional – image than a non-profit). Instead of “pushing the democratic experiment to its limits,” these organizations comfortably described strategies for adapting the form to preserve ultimate decision-making power among a key stakeholder group. These observations became the basis for classifying different SCICs into the four categories of: relentless idealists, pragmatists, reformists and creative multi-hybrids. During this phase, I also created summaries for each organization – relying on
additional archival documents as mentioned above – to facilitate comparisons between their experiences with, and approaches to, governance. This further led me to notice specific links between organizations, such as those in the same sector that had (tried to) work together, and those that referenced other SCICs as exemplary or (in)compatible with their own approaches.

**Phase 3.** In a final phase, I more specifically considered the organizational consequences of different SCIC approaches to multistakeholder democratic governance. As such, I focused on a sub-group of my interviewees that best exemplified each approach, yet evidenced somewhat distinct trajectories. Specifically, I went back to the organizational summaries and considered what – besides the reasons expressed for initially selecting the SCIC form – differentiated idealists, pragmatists, reformists, and creative multi-hybrids. Two things emerged from this reflection – the organizational strategies for managing multistakeholder democratic governance, and the organizational responses to economic and governance challenges. Based on these considerations, it was possible to offer a more nuanced categorization of SCICs. Importantly, from the organizational comparisons in Phase 2 emerged several dyads of otherwise very similar organizations who experienced divergent outcomes. To the extent that these outcomes could partially be attributed to differences in organizational approaches, strategies, and responses to multistakeholder governance, they provide additional support for the analytical framework described below.

**IDEAL-TYPE SCIC PROFILES: IDEALISTS, PRAGMATISTS, AND THE IN-BETWEENS**

Among the most notable features of the population of SCICs is the sheer diversity of their origins, activities, and ways of organizing within the same organizational form. SCICs operate in
virtually all sectors of activity, with the greatest number in business and public services (~40%), but also in culture (13%), social services (13%), housing, the environment, and agriculture. Roughly two thirds are created ex-nihilo, with the remainder converting from non-profit, classic cooperative or classic corporate forms (*CGSCOP website, key figures*). Unsurprisingly, therefore, organizations adapted the SCIC form to their specific needs, giving rise to what I identify as four “ideal-type” SCIC profiles: *relentless idealists, reformist idealists, relentless pragmatists* and *creative multi-hybrids*. The profiles differ primarily in terms of the founders’ reasons for choosing the SCIC form, the internal enactment of stakeholder engagement and democratic governance, and the organizations’ response to economic and governance challenges.

The first group, *relentless idealists*, tended to be organized under the SCIC form primarily based on the founder’s personal values and convictions regarding collective action and democratic governance; a desire to prove that the unique form was viable in a specific economic domain; and a broader ambition to contribute to an alternative economic order. For instance, SCIC25 described choosing the form as part of a “realist utopia, meaning-production [project], [and] creative collaborative approach” (*organizational website, “the SCIC”*). The former director of the organization explained that whereas the organization was already functioning as a limited-profitability cooperative beforehand, the introduction of the SCIC legal form in 2001 was the “choreography that fit their [organizational] body perfectly” (*interview*). Relatedly, idealists described “pushing the democratic experiment to its limits” and organized their internal governance to resemble participatory ideals as closely as possible. SCIC4 explained making decisions with representatives of all stakeholder groups on the basis of “we go in or we don’t go in, together”; SCIC26 envisioned going beyond votes and “closer to something like management
by consensus. Meaning no objections”; and SCIC19 explained wanting to put in place a “utopia, in terms of remuneration”, with “equal earnings for equal work, regardless of age or diplomas”. In the face of economic hardship that threatened the survival of the SCIC, relentless idealists generally chose to close down the organization rather than pervert the democratic model. Those that eventually adopted a more pragmatic approach – such as integrating more hierarchical elements of governance in order to secure organizational survival – are what I label reformist idealists.

A third group of SCICs – relentless pragmatists – adopted the organizational form predominantly for practical reasons and retained minimal aspects of the spirit of democratic governance in practice. In fact, several such organizations admitted functioning, de facto, as “regular businesses”. A SCIC founder who reported that choosing the multistakeholder cooperative form was the “worst organizational decision” they had made, lamented the “imbalances [in terms of efforts] between…stakeholders” and that “when you have ambitions and want to develop, it’s hard to get funding” (SCIC6). The respondent concluded that as soon as they had the opportunity, they would transform fully into a limited liability company. The existence of this category of SCICs underscores the considerable flexibility these organizations have in how strictly they adhere to their social mission and governance prescriptions. This is despite the fact that all cooperatives, including SCICs, are subject to a “cooperative review” every five years to make sure they continue to conform to cooperative principles (Article 25-1 de la loi 47-1175). As of January 1, 2016, the annual reports of all SCICs are also required to contain information regarding the “evolution of the cooperative project” including changes to stakeholder groups, to
the governance of the organization, and to the implication of different stakeholder groups in the project.

Note that the categorization of SCICs as idealists or pragmatists echoes the dualism described in a food cooperative by Ashforth and Reningen (2014). Namely, the authors argue that this “seldom-examined type” of duality rests on moral versus pragmatic grounds in which one group of actors endorses cooperative values more strongly, whereas another emphasizes financial viability, although both groups recognize the importance of both elements. Although the latter doesn’t specifically focus on managing participatory democracy, the findings suggest how organizations sustain dualities over time by allowing for conflict, supporting mechanisms of reconciliation, and oscillating between decisions that reflect one side of the duality over the other across temporal episodes. Yet, a key feature of Ashforth and Reningen’s (2014) study, which was absent from my own context, is the active and heated debates within the organization that allowed for the different identities to become salient. As perceived by the key actors in the SCICs interviewed, the relative absence of such engaged debate and participation was precisely one of the main challenges faced by such organizations.

A final group of SCICs – *creative multi-hybrids* – tended to be founded under this form based on a combination of practical and value-based considerations. These included aspirations to develop the organization economically relative to its existing non-profit form; the necessity to formalize the organization’s economic activity; the desire to give employees more decision-making power; and the possibility of reinforcing the project’s community embeddedness by engaging local authorities as a stakeholder group. For instance, SCIC15 explained that the objective of converting from a non-profit to a SCIC was to “secure the functions of the [main
project] by professionalizing a part of its management” (Annual Report, 2014). As a result, SCICs in this group demonstrated greater leniency with respect to the “ideal” principles of democratic governance and designed their bylaws to either allow sufficient flexibility, or to explicitly retain decision-making power in key stakeholder groups. They also adopted a number of key strategies for managing democratic governance, which are described in the subsequent section.

An example from this category is a collective of socially-minded photographers, in which one of the co-founders explained that the conversion from a non-profit to a SCIC was based both on feeling “too tight [economically] in the non-profit,” and wanting to keep certain aspects of the existing organization, notably its “democratic character” (SCIC16). When asked about their decision-making model, however, the director was clear that stakeholder groups had weighted voting rights, with the photographer’s collective maintaining 50% of such rights irrespective of their proportion in numbers. Importantly, the organization’s director acknowledged that tweaking the ideal of equal representation created “some tensions” between employees and photographers, putting them in a “boss-employee dichotomy, even though in a cooperative, you should be able to manage things differently” (SCIC16). As a result of their adaptable approach, creative multi-hybrids tended to survive economically (without necessarily flourishing) and were largely able to address their social mission while preserving key aspects of democratic governance. By making compromises along all dimensions (economic, social, governance), these SCICs retained an important degree of flexibility, allowing them to weather certain economic and governance challenges. In the next section, I discuss these four SCIC profiles in greater detail.
Relentless Idealists

The first category of SCICs can be described as relentless idealists. Organizations with this profile evoked highly ideological and often political reasons for choosing to organize under this form. Moreover, they generally preserved a positive view of the democratic governance model in hybrids, even in the face of setbacks and ultimate economic failure.

SCIC24, a cooperative publishing house, is a telling example of a relentless idealist. The founder described choosing to organize as a SCIC for economic, social and political reasons. Describing the cooperative form as “self-evident” for his project, the founder was convinced of the need to launch “an economic project…[not] a non-profit that lives off of public money.” The organization’s social mission was to “publish first novels…of unknown people, people that didn’t manage to get published elsewhere.” Lastly, the political motivation was to carry out “alternative experiments [to capitalism] […] to try to build…laboratories of an alternative economy…founded on the primacy of the human aspect” (interview). This extended to the principles of cooperative membership in the SCIC, described as relying on shared humanistic values as the least common denominator that brought together members with otherwise diverse political views. Furthermore, the internal decision-making model applied to the process of selecting manuscripts for publication relied on the ultimate form of participatory democracy – consensus – rather than rule of the majority. It therefore resembles what Rothschild (2016) refers to as Democracy 2.0 (involving consensus decision-making in a collectivist or cooperative model) compared to familiar forms of Democracy 1.0 (which relies on representative and formal standards). As the SCIC founder explained:

“There was never a vote in the editorial committee. There was never a vote to say, the majority wins […] It was really the consensus of the discussion that won out; I think twice
we had to defer a decision because there was really no possibility of agreeing…we heard everyone’s perspective, and we [decided to] defer the decision to the next meeting, to let it sit, to see what we thought. And in those cases, there weren’t really new elements brought to the table, but…time had passed, maybe people had reconsidered their position, and we would arrive quickly at consensus” (interview).

Unfortunately, after several years, the SCIC ran up against economic realities and what the founder described as a “completely unrealistic business model”. The decision was therefore taken to shut down the organization. Interestingly, the founder described the overall organizational experience in very positive terms, with a clear separation between the economic outcome (failure) and the human cooperative experience (success). As he put it, “in human terms, frankly we succeeded at 150%. And we failed, well at about negative 150% in the economic aspects (laughs).”

A perhaps more telling comparison is between two SCICs – one relentless idealist and the other a relentless pragmatist – involved in promoting alternative forms of economic exchange (e.g., via local currencies, barter, time banks, etc.). Although the two organizations shared a similar social purpose, had been in direct contact with one another, and had even explored the possibility of joining forces, SCIC26 and SCIC17 ultimately took very different approaches in pursuit of their social mission and governance structure. In the end, whereas SCIC26 was unable to fully launch its activities, SCIC17 is now headquartered in modern offices in the city and is on a stable growth path. Although a number of factors might explain the divergent trajectories of these two organizations, their strikingly different approaches to governance offer valuable insights in this respect.

SCIC26 was founded in 2014 after a long period of reflection and project incubation in the founder’s former place of employment. Although run predominantly by the founder, it relied on an operational team of several of the founder’s close friends. The organization was established as a SCIC for deeply ideological reasons, and represented as much a political as an economic project.
As the founder explains, “if one were to develop an alternative currency, the way to do it would be to create a cooperative and to make a system that would truly be owned and managed by the commons” (interview). In its founding statutes, SCIC26 is described as a “network of trust, a method of payment, a solution for giving meaning to the economy” (statutes).

At several turning points in the organization’s short history, the outcome of debates over whether to take the “easy way out” or to live out the democratic experiment to the fullest were decided in favor of the latter. One of the earliest debates revolved around whether to initially found the organization as a non-profit association (which would be quicker to launch and less burdensome administratively) and later convert to a SCIC, or whether to initiate the project directly as a multi-stakeholder cooperative. The latter course of action was selected because, as the founder explained, in order:

“to change the traditional models where you turn to capital risk investors [at the start]…[we said] ‘we’re going to turn to businesses, citizens, local authorities…and it will be a tool that’s owned in common and managed in common […] Our choice was to say…we’re going to launch a SCIC that will be robust and solid, and this way a large number of people can join, [there will be] a lot of strength and weight, in terms of capital, in terms of democracy, internal governance” (interview).

Similar to SCIC24, the founder also described wanting to move beyond democratic voting and into a consensual decision-making process.

When it became evident that the organization was struggling to get off the ground and build a critical mass of users, they faced another choice – turn to private investors and banks to try to salvage the project economically, or close down. The founder explained that the former wasn’t an option, however, because:

“It would mean letting go of part of the utopia which we held onto. So, it was better to kill [the project] or not let it survive than to pervert it […] And I’m happy about that […] I prefer to have ended the experience and to be here today speaking calmly […] than to be
working like crazy 50 hours per week to pay back the investors and to no longer be master of the project we created” (SCIC26).

Reflecting on the outcome of this short-lived human and economic experiment, the founder concluded that the project was bogged down in too much complexity on multiple fronts – a novel sector (alternative currencies), coupled with a novel legal form (SCIC), and the intricacies of setting up the latter’s administrative and governance functions. Expressed with a great degree of “heartache”, the founder’s ultimate advice to others was to “choose lightness, try and fail and repeat, rather than going after what’s big, beautiful and wonderful on paper, but what’s not operational” (interview).

In contrast, SCIC17 took a considerably more pragmatic approach to adopting and enacting the SCIC form. The organization was founded in the early 2010s, similarly after a long period of laying the groundwork, including building on the founder’s previous professional experience in alternative economic exchanges. Similar to SCIC26, the SCIC form was chosen because of its perceived coherence with the founder’s project. However, my interviewee described this coherence in very different terms. Namely, he valued that the SCIC form allowed for a distribution of voting rights across different categories of stakeholders. As he explained, “we use the [cooperative statute] in our own way; we saw the good sides, there were certain downsides, but…it really serves our purpose […] Whether it’s the…multistakeholder engagement and shared governance, the transparency, or the fact that clients…[are] also cooperative members…it really matched our interests and their interests, so a real alignment of interests” (interview). Interestingly, the asset lock provision in the SCIC statutes was also described as advantageous in strategic and marketing terms. Notably, there was initial concern that this provision might discourage private investors. Instead, SCIC17 found that the asset lock served as a form of reassurance for investors,
indicative of the organization’s responsible financial management. The clients of the organization were also described as pragmatically minded, more concerned with “developing their business...[and] looking for a pragmatic solution that will save them time [...] Beyond that, some have a favorable view of the fact that we’re a cooperative...it’s a plus, but they judge us primarily on the quality of the service we deliver” (interview). Although its presentational materials, directed towards external audiences, mention that SCIC17 is “an innovative enterprises constituted as a SCIC,” they provide no additional information regarding the peculiarities or implications of this organizational form.

In terms of decision-making, SCIC17 likewise adopted a pragmatic approach based on maintaining close control among the co-founders for the time being and potentially building up a democratic model over time. As my interviewee explained:

“For the time being, we [the co-founders] are working arduously to get this little network off the ground, so during this time, we don’t really have shared governance in the pure sense of the word: one person, one vote and everyone...raises their hand to vote at the end. In any case, it’s fully democratic. For the time being, we’re leading the project, so we’re holding onto the reins a bit. Afterwards...the first step would be to see among the [clients] in the cooperative, which ones want to be more invested and to open up a [voting] college for them” (interview).

Although the organization was relatively young, the founder expressed no concerns over its ability to sustain a working governance structure over the long term. As he explained, the SCIC was lucky to work primarily with SME’s: “We’re not working with the leaders of...big companies. There, the leaders are already in 15 000 General Assemblies...In our case, the leaders of SMEs aren’t necessarily in a lot of [governance bodies], so we figure they’ll be invested and over time they’ll be more invested if things are going well and they find it’s in their interest” (interview). Ironically, SCIC17 therefore seems to have taken the route SCIC26 recommended when reflecting
on their own unsuccessful experience – start with something pragmatically manageable and build up the SCIC democratic “ideal” progressively, rather than relentlessly committing to it at the start.

The above examples describe a category of SCICs with deep ideological commitments to the model of democratic, multi-stakeholder hybrids. Relentless idealists saw this peculiar cooperative form as part of a broader political experiment in alternative forms of organization and economies. As a consequence, the business models and ultimate sustainability of SCICs such as SCIC24 and SCIC26 may have suffered. Nevertheless, in reflecting on their experience, the leaders of both organizations were able to draw a marked distinction between the (positive) human/social, and the (negative) economic outcomes of their experiments. Despite experiencing economic failure, these relentless idealists were convinced of their success in terms of bringing together diverse people around a worthwhile collective project.

Reformist Idealists

Unlike the “relentless” idealist SCICs above, who preferred to end their organizational experiment and maintain the ideal of democratic governance in the face of economic hardship, a subset of ideologically-motivated SCICs instead responded to challenges by revising their initial idealism. That is, they were prepared to reconsider the purist model of multistakeholder democratic participation – to which they initially aspired – by reverting to more hierarchical governance structures. This reversion to hierarchy seems to have allowed the organizations to survive, albeit in less democratic form than the founders initially envisioned.

An example of a reformist idealist, SCIC19 was founded in the early 2010s with the mission of bringing together individual visual and performing artists facing precarious working conditions into a collective. The organization’s goal is to contribute to better working conditions
in the sector by mutualizing important functions like prospecting and contracting. The founder admitted launching a totally utopian project with 14 individuals, without fully knowing them or their capacities for belonging to a collective. The organizational statutes affirm that SCIC19 is a “political project”, one that “asserts its activism in working to change the mentalities and stereotypes with respect to artists, who are often asked to work for free, illegally, or below the value of their work, thereby contributing to their socio-economic fragility” (statutes). The SCIC started out as a classic workers’ cooperative because the founder judged the procedures for incorporating as a SCIC too complicated – particularly without “personal connections to local authorities on a political level” (interview). At the same time, he opted not to launch the organization as a non-profit, because he wanted to “imprint right away in the spirit of the artists the fact that we were an enterprise” (interview).

SCIC19 also expressed a deep commitment to the ideals of democratic governance, claiming it “is developing according to a model of shared governance among its members. All strategic decisions are the fruit of consultation and are subject to a vote” (statutes). Furthermore, the three stakeholder groups represented in the organization’s governance structure (employees, artists – including those currently unemployed, and partners) were all required to purchase an equal minimum of shares at the launch of the organization and had relatively balanced voting rights (30% for employees and partners, 40% for artists). Remarkably, the founder explained that he went as far as lending the artists money, “so that they could purchase the shares to launch the project, and they all reimbursed me. And among the 14, eight were on supplemental income” (interview).

From the very start of the SCIC adventure, this “utopian vision” scared away some members, who feared nevertheless finding themselves accountable to a manager. The organization
continued to run for several years with the remaining members who supported the project, although their lack of active engagement in the life of the cooperative became an increasingly heavy burden. The founder described “training people for years in management” to be able to share the managerial responsibilities and “playing the game of shared governance” (interview). Yet, at the end of the day, no one seemed to take responsibility, even for something as simple as being a co-signer at the bank: “no one, in six years, ever wanted to co-sign at the bank. Tomorrow, I could die or fall ill, I have no idea how things would continue without me. In terms of risk management, it’s terrifying” (interview). The founder concluded that the experiment of truly democratic governance was painful from a human perspective, commenting:

“In the end […] when the big storm comes, the captain is left alone to…brave the waves […] when it gets tough and solidarity is required – who can show up when there’s a fire to put out on a Saturday? Who can forgo their salary or their reimbursement this month because we’re having difficulties? Well, then there’s no one. (Silence). The reality is, you’re the boss, you chose to launch the organization. In those cases, strangely, one forgets the ‘we’ and forgets the cooperative, the collective” (interview, SCIC19).

After a difficult period for the organization, the founder therefore decided a major transformation was necessary, notably to “take back the reins” of the project. Interestingly, rather than economic, the organizational challenges were predominantly at the level of enacting a truly participatory, multistakeholder governance structure. The organization’s stable financial health at the time was one of the reasons the founder didn’t consider closing down. As he put it:

“I wasn’t ready to [take back the reins] two years ago because I thought we hadn’t gone as far as we could with the collective project…I couldn’t do it. Something was missing. We pushed it back another year, we saw what it cost us financially and in human terms. So this year I’m doing it, and moreover I’m doing it alone […] I’m obliged to do it. If I don’t want to close down – which isn’t the goal at all since you don’t close down an organization that’s growing, that would be completely ridiculous – well, then I’m forced to go through this transformation” (Interview).
Concretely, the transformation meant ending the shared governance structure, and ending the individual mentoring of artists in favor of overseeing a group of artists independent enough to manage themselves and bring in revenue. Despite mentioning several times that he tried to push the democratic experiment to its logical end, SCIC19’s founder ultimately concluded that the SCIC form can’t live up to its ideal when it involves working with volatile people who aren’t both competent and committed.

The former director of SCIC27 described a similar experience, although from the perspective of someone who was brought in to lead an existing SCIC and who ultimately stepped down from his functions. The organization was founded in 2014 with the goal of providing a community space – store, café, venue for community and cultural events – in a suburb of Paris sorely lacking such spaces. As described on its website, it’s “the proof that one can re-integrate humans at the heart of a commercial project. And that if it’s really taken to heart, the notion of a ‘collective’ still has meaning today” (company website). Initially founded as a non-profit, the organization’s launch was itself approached in a “democratic” manner open to the public, involving “multiple public debates” in spaces left at their disposal by the local town hall. My interviewee was brought in at a time when the SCIC was attempting to more clearly define the boundaries of the project. His role was therefore to design the overall concept and execute it.

Similar to the experience of SCIC19’s founder, my interviewee described his frustrations with the governance structure of the SCIC, aggravated by the lack of clarity regarding the project’s direction. Notably, the integration of multiple stakeholders in an already ambiguous project severely complicated relations between different members. As my interviewee explained:

“In the beginning, it was supposed to be participatory and then little by little, I realized that everything depended on me […] And I started to realize that instead of having one boss, I
had 18. Because there were 55 members and 150 people in the organization; and everyone had their word to say…. that’s where it was a bit strange. This company, it was everyone’s; it was a cooperative. So everyone was supposed to mobilize. And no one mobilized and everyone thought I was the boss. But I was just an employee earning minimum wage working 13 hours a day, so even below minimum wage […] I felt alone, whereas I was promised to be supported” (interview).

One concrete episode – among many – involved my interviewee suggesting a strategy to other cooperative members for building the project’s name-recognition. Since SCIC27 was located not far from a theater, he suggested members take turns passing out flyers to theater-goers as they trickled in for their performance. As my interviewee recounted, “there was one person who stepped up the first time, and then no one. And so I would abandon my team [at the café], I would go running to the theater to distribute the flyers and I would see all the members arriving, in their Sunday best, to go to the theater. I would say to them, ‘you couldn’t show up 20 minutes earlier to distribute some flyers’?” (interview).

Unable to sustain the rhythm of working hours and without any indication that the level of engagement of the other members would improve, my interviewee eventually resigned from the organization. The SCIC was taken over by a new manager who, according to my interviewee, “couldn’t care less about the cooperative […] For instance, in social terms…it changed completely. The guy basically established a restaurant…except that it’s in cooperative form, but it’s regular employees, there isn’t a single volunteer that works with him” (interview). This is in notable contrast to the cooperative project when it was run by my interviewee, which brought together professionals, volunteers, and employees on work integration contracts. Ultimately, despite feeling he succeeded on a personal level by meeting “really wonderful people that became friends” and “truly creating his own space,” the overall experience left my interviewee utterly disillusioned with the cooperative model. As he described it, “it’s too burdensome; plus, it’s everything that I hated,
all those abuses of power that one finds in private [for-profit] companies, but in a more perfidious form” (interview).

The experiences described above illustrate that when faced with economic and/or governance challenges, some idealist SCICs may abandon the ideal of the multistakeholder, democratically-governed cooperative and resort to governance practices more aligned with traditional hierarchical organizational forms. These findings echo those of Haigh et al. (2015), who conclude that while hybrids’ initial choice of legal structure often embodies a combination of personal and strategic elements, subsequent choices to modify the structure are typically more strategic. They similarly align with findings that hierarchy tends to persist in practice even within organizations initially committed to flatter, alternative structures (Diefenbach and Sillince, 2011).

Relentless Pragmatists

On the other end of the spectrum from relentless idealists are SCICs that can be classified as relentless pragmatists. These multi-stakeholder hybrids typically had a distinctly commercial activity, clientele, and identity, but chose to organize as a SCIC hoping to infuse the “classical economy” with more social and democratic values. Reflecting on this choice, however, relentless pragmatists often expressed disappointment with the organizational form and considered converting to a classic commercial venture while preserving certain social and governance provisions.

One such organization is SCIC9, born of its founder’s desire to prove that capitalism could have a human face. Disappointed with his previous experiences in the financial sector, in which it was taken for granted that there’s “a single essential stakeholder group, which is the shareholder”, the founder envisioned a consulting company that could attend to the needs and interests of diverse
stakeholders (*interview*). The possibility of enshrining multistakeholder representation within the statutes is what convinced him of the value of the SCIC form. The organization’s statutes also list “independence from capitalistic interests with respect to the companies [consulted]…, an organizational culture founded on the values of integrity and transparency, and the quality of its…services” among the motivations for choosing the SCIC form. Thus, within several months of its founding as a classic limited liability company, the organization transformed into a multistakeholder cooperative (*statutes*).

In practice, however, the founder discovered that it was very difficult to attract private investors and to develop economically while organized as a SCIC. Notably, the investor logic conflicted with the separation of capital from voting rights inherent to the democratic cooperative model. In other words, that fact that “if you invest 10 000 Euros or 100 Euros you have the same [decision-making] influence, since one person equals one vote…that doesn’t attract investors” (*interview*). When asked whether the role of alternative organizational forms – such as SCICs – was partially to change these ingrained mentalities and logics, my interviewee expressed pessimism: “I don’t think this will change…explaining to someone that whether he invests 100 or 10 000 Euros he has the same power, well he’s going to say, I’ll put in 100, he won’t invest 10 000” (*interview*).

On the other hand, in terms of governance, SCIC9 explained that the experience had been quite smooth thus far, likely due to the fact that the organization was “managed like a classic business…like I used to manage before, just more collegial” (*interview*). For instance, provisions in the statutes generally favor commercial stakeholders (fund promoters, investors, and service providers collectively have 86% of voting rights) relative to employees (14%). The statutes also
stipulate that members of the fund promoter category who haven’t contracted the SCIC’s services for the last 24 months automatically lose their members status. The notion of running the SCIC as a classic business was further expressed in the way the organization described its identity – belonging to the social and solidarity economy statutorily, but not identifying with the sector or its actors. As my interviewee described, “[we are] a SCIC, we are part of the social and solidarity economy, but I am not at all in [those] networks because I work mostly with finance […] Because…the primary role of a company [in economic terms] is to function and to develop, and so for the network it’s to go where there are potential clients, which is finance” (interview). Notwithstanding, aspects of democratic governance were preserved in the SCIC via such provisions as guaranteeing at least one board seat to each stakeholder group.

Similarly, SCIC5 found themselves in an ambiguous position as a multistakeholder cooperative for public benefit: between the well-entrenched identities of the classical (market), and the social and solidarity economy. The organization brought together individuals with “fat resumés”, who exhibited a diversity of skills related to entrepreneurial management, in order to mentor entrepreneurs with socially-minded projects. The founder affirmed the SCIC’s open approach towards selection, claiming they accompany projects organized under any legal form, as long as they can demonstrate a social and/or civic dimension. However, in terms of managing their own identity, my interviewee described a persistent struggle:

“…we have a hard time finding our place in a world structured – let’s say – between two big poles […]. If we’re too much towards the commercial end, we’ll get hammered by the…Ayatollahs of the solidarity economy, because what is this business of making money when we’re supposed to be doing ethics and even charity and volunteerism. Or who are these clowns who work for one thousand Euros when it should cost ten thousand, who don’t have a business model because the [only viable] indicator is profitability” (Interview).
The choice of SCIC form originally made sense to the organization because it fulfilled the objective of “bringing together all these people around a common purpose, which is developing [entrepreneurial] projects” (interview). The organizational statutes further present the virtues of the multi-stakeholder governance model as offering the opportunity to “mutualize skills and resources, optimize costs, and offer reliable solutions accessible to businesses, local authorities and non-profits” (statutes). Notably, at the time of its founding, SCIC5 elected not to assign weighted voting rights to different stakeholder groups. The possibility of doing so was left for a future General Assembly, which could decide to do so “on the basis of the investment and claims of each group, with the goal of optimizing the operations of the cooperative, its management and governance” (statutes). However, the persistent struggles related to defending and legitimating the multistakeholder cooperative model in their sector of activity led the organization to reflect on adopting other organizational forms that might be more suitable. At the time of my interview, the founder expressed disappointment with the organization’s economic development and was considering whether to transform out of the SCIC form. By the end of 2017, the organization had completed liquidation procedures. In the minutes of the meeting during which liquidation procedures were decided, the founder listed the low turnover and an ill-adapted organizational model as key reasons for the liquidation. The minutes state, “the model has demonstrated its social purpose value in terms of mobilizing expertise and collaboration...to develop projects for the benefit of organizations in the social and solidarity economy. But the SCIC model, with its great administrative burden, isn’t adapted or is too premature” (minutes, liquidation proceedings 2016).

A third relentless pragmatist, SCIC6, was even more adamant about their disappointment with the SCIC form, describing it as “not the best decision we have made” (interview). From a
practical standpoint, the co-founder characterized the statutes as “hell. They’re 40 pages; incomprehensive. Even lawyers understand nothing; the [members] even less.” More substantively, he explained that the form was ill-adapted to the nature of their project, since “my [co-founder] and I envisioned the project and then found the investors. Which means there’s an imbalance between the stakeholders, between the different members. We run the organization, we find ways to manage it, and we see the others once per year” (interview). His conclusion was that the SCIC form is suitable but only when it brings together a group of people who are equally committed to and invested in the project. Moreover, my interviewee reflected on the fact that they had placed too much value in the legal form at the founding stage, eventually realizing that “the statutes don’t guarantee anything…it’s the behavior” and the “human” aspect that are decisive. To that end, the co-founder explained that as soon as they had the opportunity, they would transform the organization into a classic corporate form. However, the solidarity aspect would still be preserved via provisions in the new statutes, including such things as limiting the gap between the lowest and highest salary brackets.

The three examples above capture a group of SCICs who chose to organize under this unusual form out of a desire to demonstrate that their distinctly commercial activities could integrate social and collective means of production. Despite not identifying strongly with the social and solidarity economy (to which SCICs belong statutorily), these relentless pragmatists aspired to infuse the “classical economy” with more social and solidarity values. However, faced with the administrative complexity of managing a SCIC, the perceived difficulties of attracting private investors, and the complications of straddling economic and social environments, these SCICs envisioned abandoning the multistakeholder hybrid form for traditional corporate forms with
social and governance provisions. There remains, nevertheless, a fourth group of SCICs that offer a more optimistic perspective. Rather than abandoning their project in order to preserve democratic ideals, resorting to more hierarchical forms of governance, or regretting their SCIC choice, these creative multi-hybrids combined idealistic and pragmatic approaches from the start, devising specific strategies to successfully manage multiple forms of hybridity.

Creative Multi-hybrids

Perhaps the most interesting group of SCICs were those that I label creative multi-hybrids. Creative, because they managed to develop concrete strategies and clever workarounds to make the unique organizational form work for their project. Multi-hybrid, because in doing so, they successfully sustained their social, economic, and governance missions. These SCICs often described a mix of both ideological and pragmatic reasons for choosing the organizational form. As such, they managed to preserve basic principles of democratic governance, while devising strategies for managing the complexity of the multistakeholder cooperative. Below, I discuss three main strategies articulated by creative multi-hybrids: a) protecting project clarity, b) professionalizing democracy, c) and segmenting power by leveraging formal tools and informal spaces to separate democratic participation from decision-making.

Protecting project clarity. The importance of communicating a clear project to diverse stakeholders was described by several SCICs as the key to their success. Project clarity was deemed indispensable under this organizational form because the SCIC itself remains poorly understood by internal and external stakeholders. Thus, protecting the clarity of the social, economic, and political project was especially necessary in order to avoid confusion as to both the substance and the form of SCICs.
For instance, SCIC10 undertook an orchestrated process to clarify their identity when they converted from a non-profit to a SCIC. Their press file announced the launch of a “new” SCIC10 in response to the contemporary crisis of the media. Coupled with the unveiling of a new website, logo, slogan, magazine format (complete with “before and after” images), and subscription format, the SCIC simultaneously reaffirmed its identity as a citizen media and advertised the new features of its identity: more accessible content, more discussion of solutions and positive actions, and less density of text. The press file concludes by stating that “it’s a reinvented media that readers will find in September, on the web and in newsstands” (press file). Additionally, the SCIC had their board members attend a half-day training session to ease the cultural changes associated with the identity transformation. As the director explained, “it’s not only that we’re changing our legal form, we’re changing…the way of thinking, and that doesn’t scare us, but we have old instincts that are [no longer] suitable” (interview).

Another SCIC – which reported several straight years of positive economic results – similarly attributed much of its success to the clarity of the project. As the regional director described, mobilizing multistakeholder governance “is working well. It’s complicated, obviously. And it’s long. But the strength of the project is, in fact, the project. It’s a project that’s clear, limpid, a project of citizen-led energy transition that federates actors, who are all convinced of the project, and that overcomes everything” (interview, SCIC28). In support of this clear vision, the SCIC’s presentational brochure is structured as a Q&A around key questions, such as, “what changes when you get your energy from a network of local cooperatives?” and “what are you doing for the environment by joining [us]?” The key takeaway in bold states: “[Our] unique solution is to offer citizens the possibility to take concrete action…via their electricity bill.” The statement affirms
the organization’s dual goals of providing renewable energy and involving citizens directly in the process (*statutes, SCIC28*).

Conversely, several organizations that struggled under the SCIC form (among them *relentless* and *reformist idealists*) pointed to their project’s *lack* of clarity as a determining factor of their challenges. For instance, SCIC19 partially attributed their governance problems to the project’s unclear positioning, which stemmed from the SCIC’s transversal nature. That is, since the project had “multiple domains of activity…, was in a sector that’s normally dominated by non-profits, and where the usual relationship to local authorities is via grant-seeking…obviously there was a lot of novelty to process” (*interview*). Moreover, the founder of SCIC19 specifically identified SCIC28 as an exemplar of the virtues of project clarity in organizations of this form.

SCIC27 and SCIC24 – two organizations that eventually adopted a more hierarchical governance model and closed down, respectively – also reflected on the added value of clarity in hybrid cooperatives. The former director of SCIC27 explained that a “cooperative has to be even more rigidly-defined than a classic business. Everything needs to be black on white. And we did the complete opposite […] People adhered to the idea, and that’s all. Afterwards, when it came to all the daily aspects, there was no one” (*interview*). The founder of SCIC24 – who supported a loose model of organizational statutes to allow for flexibility – also described his amazement upon visiting a supplier organization that had converted from a corporation into a worker cooperative. That organization’s director confided that relations of power were much more tense and violent since converting to a cooperative, because “submission to a manager, a hierarchical superior creates comfort. In the cooperative, this comfort no longer exists” (*interview*). Remarking my lack of surprise at this finding during the interview, the founder of SCIC24 exclaimed, “I see you’re
beginning to get to the heart of the subject.” Whether extolling the virtues of project clarity or lamenting its lack in their own organizations, SCICs therefore recognized that sustaining this unique hybrid model depended on protecting clarity and reducing confusion among both internal and external audiences.

**Professionalizing democracy.** A second strategy used by creative multi-hybrids was to professionalize democratic governance by formalizing the role of “SCIC facilitator” in charge of coordinating cooperative life. The first step for many SCICs was to realize that democratic dynamics in a cooperative don’t come naturally, nor are they sustained by the moral support of stakeholder groups for cooperative values. As the director of SCIC10 explained, one of the mistakes they made when converting to a SCIC was, “stupidly we told ourselves it would come by itself. Obviously people will get moving, obviously they’ll mobilize because they’re members of the cooperative, it’s their [project]. But no, collective dynamics are never natural […] they need to be facilitated, energized” (*interview*). Consequently, several SCICs formalized the role of cooperative facilitator.

SCIC28 described that previously, such tasks were “managed, but [not] coordinated” by different people, from those in a communication role to local producers and administrators. However, realizing that it was a full-time job, the SCIC decided to hire someone full-time to be in charge of cooperative life. Notably, this meant “making information available to members…helping to organize meetings, providing the means [and tools] so that volunteers…can defend the project, [and] present it at events […] create a discussion forum, a dedicated social network, aggregating best practices across each member cooperative” (*interview*). Facilitating cooperative life was also explicitly integrated into the SCIC’s strategic plan. Similarly, SCIC15
had a cooperative member devoted to managing member interactions. In my interview with another creative multi-hybrid, SCIC14, the director also emphasized the indispen\sablility of an internal coordinator of democratic and cooperative life. He explained that especially under conditions of economic hardship, people tend to think more individualistically and lose some of the collaborative spirit. That’s when people become “less available to participate in the life of the cooperative, especially when there isn’t an internal facilitator” (interview). The SCIC therefore realized that this peculiar organizational form could only function as long as there exists someone in the organization whose “role is nothing but this, to energize the members of the SCIC, to project the image of the SCIC, and to develop it” (interview).

It is noteworthy that the General Confederation of cooperatives and SCICs (CGSCOP) has also recently acknowledged the importance of actively managing multistakeholder governance rather than hoping it will come from “naturally” motivated stakeholders. In the past two years, the confederation has organized several multi-day training sessions specifically dedicated to facilitating democratic governance in multistakeholder cooperatives. These sessions are directed towards members of SCICs in any capacity (directors, employees, board members, those considering founding a SCIC, and those in support functions such as accountants, consultants, etc.). The program includes modules on the collective interest project of the organization, governance, balance of power, facilitating cooperative life, and formalizing the question of governance (program, October 2015). Participants are encouraged to identify a specific governance problem in their organization, as the third day of the training is devoted to drafting concrete solutions to this problem. Somewhat surprisingly, however, among participants in the last three-day session, less than half were currently involved in an established SCIC, with the
remainder either thinking about founding one or considering transforming their existing organization (note from CGSCOP). The conclusion from a more recent two-day gathering of nearly 30 SCICs was that “no miracle solution exists, but that this [governance] dimension needs to be taken into consideration and addressed by mobilizing human resources (employees or volunteers)” (summary of PICRI; news - animation multisociétariat).

Thus, whereas idealist SCICs often assumed that cooperative members would mobilize for the collective interest based on shared values, creative multi-hybrids tended to professionalize the facilitation of democracy. The findings carry interesting parallels will Collins’ (1995) study of employee ownership through the introduction of a gainsharing program in a privately-owned non-union manufacturing facility. As the author describes, the owner of the organization chose not to employ a full-time gainsharing coordinator (which could be equivalent to designating a full-time coordinator of democracy in SCICs) and instead added coordination responsibilities to the existing tasks of the quality control manager. In so doing, the owner sought to reduce administrative costs but also missed an opportunity to use the designated coordinator role for managing conflicts between management and labor. The findings thus speak to dilemmas between saving scarce resources, managing control, and fostering participation in organizations aspiring to implement alternative governance and ownership forms to traditional corporations.

Segmenting power. A third strategy used by SCICs that successfully managed multiple (social-economic-political) hybridity was to segment the exercise of power. The goal was to preserve democratic participation among all cooperative members while protecting decision-making among key stakeholder groups. Specifically, creative multi-hybrids used both formal voting tools and informal decision-making spaces to achieve this.
Leveraging formal decision-making tools. One specific strategy for segmenting power was to assign different voting weights to distinct stakeholder groups, while preserving the fundamental cooperative principle of one person equals one vote. Official regulations state that SCICs can organize this by designating “voting colleges” – between three and ten in number and carrying between 10% and 50% of voting rights – so as to “rebalance” relations of power (loi-assemblée générale, CGSCOP). In other words, although different stakeholder groups cannot be granted disproportional voting rights based on capital ownership, they can be granted such rights based freely on other criteria, such as their proportional participation in/contribution to the project. Absent specified voting colleges in the SCIC’s statutes, the standard principle of one person equals one vote is applied to calculate a decision-making majority. The CGSCOP website nevertheless states that the option of voting colleges should be used to address “exceptional situations.” Several of the SCICs interviewed made use of these provisions precisely to shift (or preserve) decision-making power among stakeholder groups most relevant to the organizational project.

For instance, as a media organization, SCIC10 was explicit about retaining editorial decisions over content among professional journalists. As the director explained:

“We inscribed in the statutes that the editorial committee is elected by the general assembly for two years…It’s the chief editor that makes the final decision, based on consultation. That doesn’t mean we don’t listen [to everyone], but otherwise it would become an echo chamber for each audience member and no longer a magazine. It would be a brochure. So we set that in stone, but there’s a space for [other members]...” (interview).

Consistent with its identity as a multi-stakeholder cooperative, SCIC10 was nevertheless proud of opening up its editorial committee to non-journalists. Thus, the committee was composed of at most four representatives of civil organizations, four media professionals and two subscribers. In their press file, SCIC10 advertised this policy as creating considerable richness, but also
affirmed that “producing a magazine can’t be improvised. Those elected to the editorial committee participate in a short training offered by a [journalism school] to introduce them to journalism and how the media function.” Importantly, it is made clear in the organization’s statutes that participation on the editorial committee does not confer explicit decision-making rights with regard to editorial content. On the other hand, voting rights in the General Assembly are relatively equally distributed among civil society organizations (30%), employees (25%), and media professionals (25%), with subscribers and supporters making up the other 20% (statutes).

As a student-oriented organization, SCIC15 also explained assigning 50% of the voting rights to the college of students, with the remaining votes distributed among alumni (20%), employees (10%), and partners (20%) (statutes). One of the challenges of this format, however, was that it often created “three cooperatives that each work in their little corner…with one that is de facto dominant because the students…represent the majority, and on top of that, they make the cooperative work on a daily basis” (interview). Notably, the director recognized the need to work better with employees and had arranged to be assisted in this domain by another SCIC specializing in consulting and HR practices. The plan was to eventually modify the statutes so that “even if we don’t meet the [minimum] threshold [of employees], we have a governing body for discussions with employees. And another body through which they can be implicated, for instance by giving them a role on the board” (interview). Despite referencing these tools for balancing relations of power within the cooperative, the director remained clear that “we are and want to remain a separate organization, led by students, at once fully cooperative and fully active in student life…We have to be a tool for empowering students, because they are both beneficiaries and
managers” (Annual Report, 2014). That is, while recognizing the limits of its weighted decision-making model, the SCIC was committed to protecting the primacy of student interests.

Similarly, SCIC28 used the option of voting colleges to balance the interests of energy producers and consumers. Thus, the college of producers and that of consumers were assigned equal voting weights (20%), despite the fact that consumers made up approximately 98% of cooperative membership in 2015 (Annual Report). Yet, as the SCIC director noted, “it’s not really about the numbers but more about what they represent in the value chain. The producers are fewer than the consumers, but without producers, there wouldn’t be consumers in [our] model” (interview). Readjusting the voting rights of different stakeholder groups thus re-established an acceptable equilibrium between representation in numbers and representation in terms of contribution to the project. The premise of this strategy is that acknowledging the interests of different stakeholder groups, and including the latter in basic features of governance (e.g., discussions and consultations), need not imply that each group has an equal stake in ultimate decision-making. This is in contrast to more relentless idealists, such as SCIC26, in which voting rights were equally distributed across stakeholder groups (25% each for founding members, employees, beneficiaries and contributors). Creative multi-hybrids that adopted strategically-(un)balanced voting colleges were thus very clear about the limits and potential dangers of an ideal-type, direct democracy model of governance for the sustainability of the organization’ project.

Leveraging informal decision-making spaces. In addition to formal mechanisms of re-calibrating voting rights, some SCICs relied on more informal means of combining a multistakeholder, democratic governance model with the need to preserve decision-making power
among the most relevant stakeholder groups. Such SCICs leveraged informal decision-making spaces to draft organizational decisions, which were later submitted to other stakeholder groups for discussion and approval. For instance, the founder and director of SCIC22 explained:

“Democracy [for us] really takes place on the workshop floor with the team. We’re five employees and we decide things pretty much together. We’re careful to be in constant dialogue about the functioning of the organization, its orientations, choices to make. […] the heart of the organization is, after all, the employees that work here every day. We suggest activities together with the volunteers all the time…and we listen to everything they suggest…everything they do to enrich the project […] Everyone can express their opinion on our actions. But it’s not very structured” (interview).

Similarly, SCIC21 acknowledged that the cooperative is really made up of a group of people “who [hold], first of all, human esteem for one another” (interview). The key moment of cooperative life therefore revolves around the weekly meeting:

“It’s not a meeting in which we say, this week we’re going to look at the numbers. It’s a meeting in which we talk about ongoing projects, everyone’s life. It’s not a shareholder meeting or a meeting of regular cooperative members. We have a few drinks; we share a meal […] And…it’s true that these meetings are often when there are important decisions to make, and those decisions are taken outside of the…general assembly […] Then again, [our employee] can also participate […] So let’s say [an employee’s] voice is just as important as mine, even though it’s not completely true, but we still listen to [them] because [they’re] an integral part of the organization […] So it’s true that the General Assemblies are, first of all a social occasion…and then we announce decisions that have already been made…” (interview).

Unlike formal tools of segmenting power, the use of informal decision-making spaces involving particular stakeholder groups is largely unregulated by statutes or official SCIC provisions. Yet, such practices are virtually inevitable given the nature of this peculiar organizational form. The “collective interest” dimension of SCICs, and the expectation that they contribute to social value beyond the organizational “walls”, essentially dictate that some stakeholder groups will remain external to the everyday functioning of the organization. This suggests that appropriation of informal decision-making spaces by internal stakeholder groups is
a logical consequence of SCICs’ multistakeholder nature. SCICs that seemed to most successfully manage the governance challenges of hybridity were aware of these informal decision-making spaces and leveraged them to advance the organizational project. A comparative case study between two SCICs conducted in the context of the PICRI research program (2016) similarly found that the exercise of multistakeholder governance takes place primarily in the management of daily activities and organizational life. Although all members have the legal right to exercise decision-making power during General Assemblies, their participation in decisions took place elsewhere, particularly through forms of “intrapraneurship.” Interestingly, the study found that General Assemblies tended to regain their role as forums for democratic debate in periods of organizational crisis or deep questioning of the project. By contrast, among the SCICs I interviewed, it was precisely during such periods that the democratic, multi-stakeholder governance model was put to the test and often proved insufficient in mobilizing diverse actors for the collective interest.

**DISCUSSION**

Summarizing the highlights of the first professional gathering of SCICs, held in November 2015, the CGSCOP noted, “all participants more or less expressed it: SCICs imply a dimension of complexity inherent to their ambition to bring together the perspectives of diverse groups …around a common project…. This multiplicity and diversity of stakeholders…highlights the challenge of facilitating cooperative life more than in any other cooperative form” *(email to participants, Agora des SCICs)*. In this paper, I have argued that the way SCICs approach their unique organizational form (ideologically) and the strategies they put in place to manage its peculiar governance (practically), carry implications for their ability to sustain multiple forms of hybridity. SCICs offer
a particularly rich context for the study of hybrid organizations, as they combine not only the typical social and commercial tensions related to their values and activities, but also the political tensions inherent in their decision-making processes. Indeed, the unique multistakeholder hybrid model provides valuable insights into how organizations manage (or fail) to integrate diverse interests in their internal governance structures.

As I have shown, SCICs that can be categorized as relentless pragmatists and relentless idealists largely fall short of achieving sustainability as multistakeholder hybrids. The former by searching for “a way out” of the SCIC form; the latter by being so intensely committed to this form that they prefer organizational failure to compromising on their values. Reformist idealists take a more balanced approach. Faced with the challenges of living out the SCIC form in its democratic ideals, they are willing to compromise on their original idealism in order to ensure organizational survival. These SCICs therefore continued to exist under this organizational form, albeit with more hierarchical governance in practice. The fourth group – creative multi-hybrids – instead adopted a balanced attitude from the start, combining both idealistic and pragmatic elements in their approach to governing the SCIC. Notably, they relied on specific strategies, such as protecting the project’s clarity, professionalizing democracy, and segmenting power, in order to ensure the organization’s ability to carry out its economic, social, and political missions. In addition to their more evident implications for practice, these findings carry several implications for theory.

First, the findings bring necessary nuance to the literature on hybrid organizations and social enterprises. Although the growing literature in this domain has suggested numerous paths to sustaining hybridity in dual-mission organizations, it remains somewhat limited by its focus on a social-economic dichotomy (see Lauterman, 2013; Santos, 2012). That is, existing studies tend
to emphasize tensions between an organization’s social and economic imperatives as the defining features of its hybridity. Although these tensions are undoubtedly present in hybrids – including SCICs – they predominantly address questions of purpose, such as how hybrids are able to avoid mission drift (a departure from their social purpose) while ensuring economic sustainability. In studying multistakeholder cooperatives for the public benefit, this paper introduces an additional and no less important layer to hybridity – that of managing the political tensions associated with democratic governance as a defining feature of SCICs. As such, the paper contributes to a growing literature on the governance of hybrid organizations, with a particular focus on the control and decision-making dimensions. It thus joins recent critical perspectives that have questioned the assumed social-commercial dichotomy in hybrids in favor of a more nuanced distinction between dimensions of value creation and capture (Santos, 2012; Lautermann, 2013), both questions of particular interest to scholars of organizational governance.

Relatedly, the paper also contributes to the literature on democratic governance in organizations. A lingering debate in this scholarship involves the conditions under which the challenges associated with democratic governance (e.g., time, resources, stakeholder engagement, conflict) outweigh its potential advantages (e.g., member commitment, retention, fulfillment, resilience). Although definitively settling this debate is beyond the scope of this paper, the findings offer insights into how democratic governance might be managed successfully in hybrids, without necessarily adhering to its ideal form. As such, the paper builds on the few studies which investigate specific organizational strategies for managing governance in hybrids (Mair et al., 2015; Mason and Doherty, 2016). Among the latter, I am unaware of any that address governance in the context of democratic engagement from diverse stakeholder groups. Moreover, existing
studies tend to anchor on the question of how to manage governance based on the competing values of stakeholder groups. What is still largely missing from these accounts, and where this paper offers insights, is in understanding the more “basic” challenges around engaging diverse stakeholder groups in organizational life to begin with. That is, where current literature addresses the management of tensions between groups that espouse and defend diverse values and interests, I have considered the more rudimentary challenge of getting such groups to express and engage with such values in the first place.

The findings thus carry interesting parallels with Ashforth and Reningen’s (2014) study of a natural food cooperative. Notably, the authors propose a process model in which environmental conditions (e.g. the organization’s financial status) drove a pendulum swing between idealism and pragmatism within the cooperative. Thus, as financial concerns became salient, decision-making power implicitly swung towards the pragmatists in the organizations, with the idealists enjoying the upper hand under favorable economic conditions. In my findings, such pendulum swings appeared less prevalent, at least among relentless idealists and relentless pragmatists, who stayed the course of their idealism/pragmatism in spite of environmental conditions. Since one of the supposed virtues of non-hierarchical organizations is their greater resilience to environmental shocks (Boone and Ozcan, 2016; Nuñez-Nickel and Moyano-Fuentes, 2004; Moore and Kraatz, 2010) compared to traditional corporations, it is intriguing that cooperatives seem to temporarily mitigate cooperative ideals precisely in times of crisis in order to ensure organizational survival. In light of my own findings, it therefore seems necessary to evaluate under which conditions idealists are willing to cede temporary power to pragmatists, and when they are instead relentless, choosing to close down an organization rather than compromise on their principles.
The findings also raise valuable questions about the role of compromise in hybrid and non-hierarchical organizations. For instance, Ashforth and Reningen’s (2014) study suggests that cooperatives with hybrid interests can be sustained over time by oscillating between members’ conflicting positions rather than seeking integration of the latter. Similarly, early work by Murnighan and Conlon (1991: 177) showed that string quartets that relied on compromise to manage conflicts were less successful than those that sought to preserve “the integrity of group members’ opposing positions.” My findings also echo early work from the Carnegie School, which recognized the value of “log-rolling” and attending sequentially (rather than simultaneously) to the interests of different organizational coalitions as a strategy for achieving a workable “quasi-resolution of conflict” (Cyert and March, 1963; March, 1962). An additional applicable insight from this perspective is that business firms are essentially political coalitions in which firm composition is negotiated and goals – rather than being given – are bargained among sub-units with different (unstable) power distributions (Tushman, 1977). The strategy of segmenting power, which I identified for SCICs, shows numerous affinities with this perspective. Although I did not observe practices of log-rolling directly, the separation of decision-making from consultation among creative multi-hybrid SCICs suggests a sharp awareness of the relative importance of different coalitions’ interests and attention to how those interests can be met without devolving into overt conflict.

Note that for relentless idealists, such negotiated or sequential solutions were less acceptable, as the ultimate goal was to reach consensus and mitigate value conflict altogether rather than achieve its quasi-resolution. To the extent that cooperatives are often seen as quintessential sites of compromise, in which the interests of the collective are placed above those of individuals,
studying the extent to which compromise (whether through temporal or structural means), or relentless adherence to ideals, allows for the continuity of democratic hybrid organizations is worthy of future research.

**Limitations and Opportunities for Future Research**

As any empirical project, this one has several limitations, which nevertheless provide opportunities for future research. First, the qualitative nature of the study limits its ability to consistently “control” for a number of important factors of SCIC success or failure. Larger-scale quantitative and longitudinal studies can explore how different modes of governance affect the long-term survival of SCICs in a more systematic manner. For instance, by coding for the number of stakeholder groups involved in decision-making as well as the distribution of voting rights among such groups, future work could investigate the extent to which closely adhering to or departing from an ideal-type democratic governance cooperative model (e.g., in which the one person equals one vote principle is strictly respected) affects the economic and social performance of SCICs, as well as their likelihood of adhering to or converting away from the SCIC form. Alternatively, qualitative comparative analysis (Ragin, 1987) could identify which particular combinations of the identified strategies among creative multi-hybrids tend to be most successful. For instance, protecting project clarity may be a *sine qua non* condition for success, whereas designating a specific cooperative facilitator may be a necessary but insufficient condition.

Second, and relatedly, future studies could more explicitly investigate the relationship between democratic governance and economic development among hybrid organizations. Several leading actors in France’s social entrepreneurship ecosystem poignantly remarked that democratic governance is detrimental to social enterprises’ economic development. As one commented, “not
only do I think that the future of an organization doesn’t depend on…democratic [governance]…I think that the best way for an organization to develop […] is good governance with shareholders, but that’s called dictatorship of the majority, of capital” (interview, impact investor). Comparative studies between SCICs and other hybrid organizations that are not required to adopt multistakeholder, democratic governance forms, could provide valuable insights in this direction. For instance, ESUS (entreprise solidaire d’utilité sociale) is a label granted by local authorities to French organizations that demonstrate that their activities serve the public interest. If approved, the label carries certain fiscal advantages. Since most SCICs don’t carry the ESUS label, and organizations labeled ESUS are not often SCICs, a comparative analysis of these forms would be particularly insightful. The findings would further engage with debates as to whether alternative organizational forms – such as cooperatives and mutual associations – can truly sustain organizational diversity and promote alternatives to the corporation and capitalism (Schneiberg et al., 2008).

Third, the temporality of hybridity surfaced in several interviews as an important consideration, which could not adequately be explored within the scope of this paper. Several SCICs commented that devoting attention to their social mission and evaluating their social impact were only foreseeable once they had achieved a certain level of economic stability. This suggests a need for more careful consideration of temporality in studies of hybridity. The latter tend to assume that hybrids are faced with tensions between their social and economic goals from their very founding. Instead, my anecdotal findings make it plausible that hybrids only grapple with competing demands once they reach a threshold of economic sustainability. Studies that investigate this temporal element, and specifically the point in the organization’s history when
dual or multiple tensions become simultaneously manifest, may lead scholars to rethink the notion of “mission drift” in hybrid organizations. In addition to organizations that gradually move away from their social mission as a result of economic imperatives, we might talk about *mission stunting* – the failure of a “hybrid” organization to achieve a threshold of economic stability that would allow it to devote attention to its social mission.

Investigating temporality could also be important in the context of strategies for managing democratic governance in hybrids. The director of one of the SCICs interviewed was particularly concerned with the specificity of such governance in organizations with frequent member turnover – such as student organizations. In the latter – as well as in temporary organizations more broadly (see Burke and Morley, 2016) – the typical governance challenges of hybrids may be accentuated, owing to the non-permanent membership of different stakeholder groups. On the other hand, the short time horizon of members’ participation could encourage more active engagement and potentially facilitate stakeholder management in temporal organizations. Given that many such organizations are founded in the context of crisis, such as natural disasters (Williams and Shepard, 2016), and that they rely on coordination among multiple stakeholder groups, investigating the interaction between organizational/member temporality and democratic governance could be another promising avenue for future research. Moreover, longitudinal studies could further explore how strategies for managing democratic governance in such organizations do or do not change over time. As evidenced by the category of reformist idealists, some organizations are indeed able to shift governance strategies, whereas relentless idealists and relentless pragmatists seem less likely to do so. Investigating the extent to which early organizational choices with respect to
governance lead to path dependence or simply represent temporal equilibria points as part of an unsettled process could thus also offer worthwhile insights.

Lastly, future work could explore the tradeoffs between deliberate ambiguity versus precision in organizational statutes, and their effects on the successful management of multiple forms of hybridity. Although my findings suggest that project clarity facilitates stakeholder engagement and democratic governance in hybrid organizations, interviewee perspectives were more mixed with respect to whether the organizational statutes themselves should be explicit or open to adaptation. Precision was seen as a virtue in terms of clarifying stakeholder roles, responsibilities and relations. It was often deemed even more necessary in cooperatives relative to classic corporations, in which hierarchy already serves some of this purpose. On the other hand, flexible statutes were also judged vital to organizations with multiple goals and actors, as this left each stakeholder group free to interpret them according to their needs. This, in turn, fostered engagement around a common (albeit ambiguous) set of rules. The latter might confirm the findings of Haigh et al. (2015), who argue that hybrids seek flexibility in order to continue fulfilling their mission while ensuring economic viability. Comparative studies of organizations that adopt each of these approaches could contribute to this important question. Moreover, the debate remains applicable beyond hybrid organizations, as it addresses more fundamental organizational dilemmas between control and flexibility.

**CONCLUSION**

Hybrid organizations increasingly captivate scholarly and public debates given their unique proposition to integrate the economic and social interests of diverse actors. Beyond this well-studied feature of hybridity, however, such complex organizations must also deal with the
mundane tasks of engaging various stakeholders to express and defend those interests in the first place. This is particularly relevant to hybrid organizations and social enterprises that take the form of cooperatives with democratic and participatory governance principles, as is often the case beyond the Anglo-Saxon context. Here, sustaining social, economic and political hybridity requires a specific blend of idealism and pragmatism, coupled with concrete organizational strategies. The challenges to achieving this blend might explain why, despite operating under an adapted and designated organizational form, multistakeholder cooperatives remain a relatively underdeveloped form of hybrid organization, yet to fulfill their promise of an alternative organizational model.
SUMMARY OF FINDINGS

The dissertation set out to understand how market mechanisms – specifically the promotion of entrepreneurship in unconventional settings – are being used to tackle social problems beyond the traditional realm of markets. The findings from Chapter 1 demonstrate that “entrepreneurship” itself is a multi-faceted concept and that its social consequences are highly dependent on context. In the context of disadvantaged communities, even purely commercial entrepreneurial activity can contribute to social cohesion and to combatting stereotypes, whereas “social entrepreneurship” may produce other subtle or individual-level effects. Assessing the social impact of entrepreneurial endeavors thus requires a similarly multi-faceted approach. Chapter 2 delved deeper into the importance of community, showing that the survival of a particular model of social enterprise (multistakeholder cooperatives for the public benefit) depends on a combination of community and organizational-level factors, including the enterprise’s particular governance form. Finally, Chapter 3 elaborated on the importance of governance form by showing how social enterprises with multi-stakeholder governance manage the multiple layers of social, economic, and political hybridity. Together, the chapters contribute to an understanding of two distinct models of leveraging entrepreneurship for social change – one emphasizing the importance of individual profile and community context, the other of organizational form.

Taken together, the findings from Chapters 2 and 3 might appear rather surprising. Indeed, whereas Chapter 2 seems to offer an optimistic perspective on hybrid organizations (SCICs), Chapter 3 offers a more cautious view into their struggles and distinct challenges. Both realities
speak to the complexities and potential for contradictions within this organizational form. Part of the seeming discrepancy also lies in the difference in focus of each chapter. Whereas Chapter 2 merely considers organizational survival as an outcome, Chapter 3 is more concerned with the organization’s ability to sustain its multiple purposes – including social, democratic and economic. If one could code the organizations in Chapter 2 according to the organizational profiles identified in Chapter 3, one might indeed find that the surviving SCICs are those characterized as creative multi-hybrids or reformist idealists, whereas the failures are mostly attributed to the relentless idealists or pragmatists. For instance, it may be that the proportion of relentless idealists in the overall SCIC population is relatively low, such that the dramatic nature of their struggles has little impact on the survival rate of SCICs more broadly. This might confirm the hypothesis that SCICs represent a “high-risk, high-return” strategy for combining social, democratic and economic goals. In other words, SCICs inevitably face many of the challenges exposed in Chapter 3, but they also rely on unique forms of commitment (including to ideals) that potentially make them more resilient in situations in which non-hybrid or single-stakeholder organizational forms might falter.

Moreover, as discussed in Chapter 2, SCICs may be subject to softer forms of budget constraints than classic corporations or cooperatives. This could explain their relative survival advantage despite the difficulty of making this complex organizational form “work”. In addition, given that the main comparison group in Chapter 2 is single-stakeholder, classic cooperatives, the findings could also suggest that the added advantages of including multiple and diverse stakeholders in the organization’s governance, as well as pursuing a public interest goal, outweigh the inherent challenges of organizational democracy. The above constitute empirical questions that, in future work, can help clarify the specific conditions under which SCICs and complex
hybrid forms prove more (or less) resilient than traditional for-profit, non-profit, and cooperative forms.

At the same time, considering Chapters 1 and 3 together, the findings of the dissertation seem to point to fundamental tensions between idealistic and pragmatist tendencies among both entrepreneurs in the quartiers and multi-stakeholder social cooperatives. Such tensions are perhaps more obvious in the case of the latter, but they also underlay debates over whether entrepreneurship should be promoted among the neediest or those most likely to succeed, and whether “success” is about building an entrepreneurial spirit and culture, or more about founding successful business ventures. This recurring theme appears logical, considering that entrepreneurship itself often requires a combination of dreaming the impossible and then finding a way to make it possible. Furthermore, despite their distinct enactments, both forms of (social) entrepreneurship share the overarching goal of achieving social change through entrepreneurial means. Some initiatives are closer to the “pragmatic ground” whereas others venture further into the “idealistic skies”, but ultimately any prospect for change relies on the co-existence of these tensions. In this respect, (social) entrepreneurship shares fundamental aspects with social movements, in which actions are geared both towards effecting concrete social change and lastingly shaping new cultural and societal values.

***

Beyond the specific case of entrepreneurship in disadvantaged communities in France, the dissertation speaks to bigger questions about the role (responsibility?) of markets in social welfare. Scholars from political science and sociology have long been interested in the evolution of approaches towards reducing poverty and social exclusion. In developed country contexts, much
scholarship considers the “new welfare politics” and the transition from needs-based cash assistance to targeted assistance emphasizing personal responsibility and work requirements for the poor (Lichter and Jayakody, 2002; Morgen et al., 2009). In international development, a similar trend has gradually phased out lump sums of development aid in favor of more targeted financing of specific projects. The introduction of randomized control trials (RCTs) in experimental economics (Banerjee and Duflo, 2012) has in many ways revolutionized approaches to solving global poverty by directing support towards initiatives proven to “work”. At the same time, by providing tools to evaluate complex and often intangible social outcomes (e.g. health, sanitation, literacy, freedom from poverty, inclusion) in quantifiable economic terms, experimental program evaluation tools such as RCTs often hide the “politics of evaluation” (Taylor, 2005). In steering policies and money towards programs that promise the biggest social impact per dollar invested, such evaluation tools often supplant distributive politics with the scientific method of experiments.

Parallel to the above experimental trends is a gradual move towards the empowerment and/or responsibilization of disadvantaged populations in improving their own socio-economic conditions (Wallace, 1999). Approaches to solving social problems – including poverty, inequality, social exclusion and environmental degradation – thus increasingly include such tools as asset-based community development (Kretzmann and McKnight, 1993; Mathie and Cunningham, 2003), bottom of the pyramid markets (Prahalad, 2005), microfinance and the promotion of entrepreneurship (Yunus, 2010), and community empowerment (Ansari et al., 2012). Considered one of the first and among the most prominent (modern) social enterprises, the Grameen Bank founded in Bangladesh in 1983 by Nobel Peace Laureate Muhammad Yunus is an emblematic example of social entrepreneurship through microfinance. Although a review of the
microcredit literature found few clear-cut conclusions on the social impact of such initiatives (Banarjee, 2013), and recent work considers some of the unintended consequences and negative effects of microfinance on poor communities in the developing world (McIntosh and Wydick, 2005; McIntosh et al., 2005; Sorell and Cabrera, 2015), others have found that even if the approach fails to sustainably reduce poverty, it contributes to local social capital and collective empowerment, particularly among women (Sanyal, 2009).

In addition, where microfinance is more explicitly about empowering individuals to start a profitable economic activity (at least sufficiently profitable to pay off the loans), social entrepreneurship can be as much about harnessing the entrepreneurial potential of disadvantaged individuals (whether to start a profitable social business or a non-profit) as about providing innovative services to meet the needs of such individuals. In either case, both constitute approaches that reject the top-down role of the state and markets as the principal providers of goods, services and welfare. The specific case on which the dissertation is based thus fits within the larger context of market-based approaches to social problems.

**Implications for Policy**

As argued above and throughout the dissertation, entrepreneurship’s potential to bring about social change (including reducing inequalities) depends both on the form of entrepreneurship undertaken and on the positive change outcome under consideration. Below, I consider the more concrete implications for policy in terms of: promoting entrepreneurship in the *quartiers*, and promoting hybrid organizational forms more broadly.

Based on the interviews conducted in Chapter 1, entrepreneurs and supporting organizations had a number of concrete suggestions for how to improve the conditions for entrepreneurship in
the quartiers. These included familiar measures such as: increasing early exposure to entrepreneurship in the education system; multiplying the resources and supporting actors devoted to scaling existing enterprises rather than concentrating efforts on the start-up phase; improving networking opportunities among entrepreneurial actors in the quartiers; and consolidating the number of supporting actors to make the ecosystem more legible and less dispersed.

Beyond these local measures, however, the dissertation raises bigger questions about the direction of policy measures aimed at promoting entrepreneurship as a solution to the “banlieue problem.” First, and given limited public resources, it suggests a necessary arbitration between the possible tradeoffs of supporting successful entrepreneurial efforts with the potential to scale versus local self-employment solutions to unemployment. That is, given finite resources, when should efforts be directed towards improving the conditions of the neediest, and when towards those most likely to succeed? The options need not be mutually exclusive, but the reality in France is that they often are. The first implies “picking the winners” and betting on a somewhat top-down strategy through which employment “trickles down” from successful entrepreneurs to local quartier residents. The second relies on a more bottom-up strategy of mobilizing the most vulnerable residents to become small-scale entrepreneurs who will, most likely, employ only themselves. A third, more integrative strategy, would involve creating more bridges for entrepreneurs on the cusp of either profile, such that initially small-scale projects can develop greater ambitions. Parallels to this dilemma have been documented in the microfinance literature, where the push towards growth has led to client “upscaling” (Armendariz & Morduch, 2010) in which microfinance organizations choose to work with those easiest to reach (Simanowitz, 2011) and ultimately the less disadvantaged of the poor (Epstein and Yuthas, 2010).
Second, policies that encourage entrepreneurship in the *quartiers* need to be clear on the spatial and community dimension of such activities and of assessing their impact. Specifically, is it a policy success or a failure when an entrepreneur from the *quartiers* succeeds, moves out of the community, and relocates their ambitious entrepreneurial project elsewhere? For the individual and entrepreneurship as a whole it may be a success. For the community, it may represent entrepreneurial drain. Initiatives aimed at reducing inequalities among certain groups may thus inadvertently contribute to widening disparities *within* the disadvantaged group. Crafting policies that encourage entrepreneurs to reinvest in their communities without restricting their ambitions or spatial mobility thus require a careful balance.

Third, how policymakers choose to evaluate the success/failure of particular initiatives is of utmost importance. By focusing on job creation as the holy grail and key indicator of success for entrepreneurship-promoting policies, policymakers may be undervaluing a host of entrepreneurial initiatives with low job creation potential that nevertheless fulfill crucial roles as empowerers, image-changers or mediators. Given persistent pressures to reduce public budgets and to support only initiatives that can “prove” their value per funds invested (e.g., social impact bonds), the findings encourage the use of a plurality of quantitative *and* qualitative outcomes to deem which initiatives are worth evaluating and supporting. Sustaining alternative evaluation measures and mechanisms of support reliant on those measures is thus crucial to encouraging the full range of social change outcomes entrepreneurs may be committed to.

Finally, beyond the *quartiers* and in terms of promoting the development of hybrid organizations such as SCICs more broadly, the dissertation also provides several concrete ideas for policy measures. Based on the SCIC founders and directors interviewed in Chapter 3, a crucial
need is to develop training and exchange opportunities around the question of facilitating democratic governance and managing stakeholder engagement. Indeed, the federation of cooperatives seems to have taken this need seriously and are slowly developing workshops on this topic. There also appears to be room for increasing the visibility of hybrid initiatives, even internally within the network of multistakeholder cooperatives who are often unaware of other SCICs engaged in similar or complementary work. Finally, monitoring these complex hybrid organizations to anticipate and address challenges around governance and scalability is also an important area for policy development. This has already begun to some extent with a required governance report every five years, but sufficient resources need to be allocated to reviewing such reports as well as to a more synchronous system for dealing with grievances.

At a higher level, simplifying the administrative burden of setting up multistakeholder cooperatives should also facilitate their emergence. A number of SCICs started out as non-profit associations – which are extremely easy to register in France – and later converted to SCIC status after gaining their footing. Allowing simplified registration procedures for a short period while a SCIC establishes itself could thus encourage more enterprises to consider this legal route. Lastly, a concerted pedagogical campaign across the public, private and non-profit sector seems to be necessary in order to develop awareness of and the legitimacy of the hybrid form. Absent this kind of effort, SCICs are often promised access to a wide variety of resources, only to find they can ultimately access very few of them given limited information among government officials and private sector actors as to the nature, purpose, and even fiscal status of the hybrid form.

Given the enthusiasm and resources devoted to entrepreneurial and hybrid solutions to social problems, the dissertation hopes to contribute to more informed policies that target the
development and sustainability of socially-engaged entrepreneurship communities and ecosystems rather than atomistic organizations and individuals.

*Unanswered Questions*

Despite best efforts to truthfully capture the “reality on the ground”, the dissertation leaves a number of unanswered questions for future research. Ultimately, the question of whether, and if so to what extent, entrepreneurship actually reduces inequalities in the *quartiers* is material for a much more ambitious and long-term research agenda. Conceptually, it requires carefully assessing the kind of entrepreneurship(s) and of inequalities that are of importance, and to whom (e.g., *quartier* residents, resource-providers, policy-makers, society as a whole, researchers, etc.). Methodologically, it also requires choices about the kinds of outcome measures that are worth considering and – more pragmatically – that are obtainable and accessible. Should we measure potential reductions in income inequalities, wage disparities, differential access to jobs, education and services? Or do we attempt to measure the more intangible facets of inequality, such as markers of social exclusion and stigmatization? The “appropriate” level of analysis is also an open question. Do we care about reducing inequalities across individuals with particular profiles, across geographic communities, across different ethnic communities, or within society as a whole? And what are the potential tradeoffs across these different levels, such that reducing disparities at one level may imply exacerbating them at a different level? More fundamentally, this raises questions about power, and the extent to which the promotion of entrepreneurship as a social policy is able to reconfigure – or simply reaffirms – existing configurations of power among resource holders and resource-seekers.
The use of entrepreneurship for broader social and political ends also raises open questions about the transfer of responsibilities for social welfare from public to private actors. For instance, it may be less important that overall public funding is not keeping up with social needs, and more so that allocation of funds increasingly relies on competitive public markets and targeted initiatives, implying the privatization of risk to citizens and hybrid organizations. What if, instead of reaffirming the waning of the welfare state, entrepreneurship as a solution to poverty and social exclusion offers a lens into the state’s increased involvement in risk-taking? Such transformations necessarily imply new forms and mechanisms of conceptualizing, measuring and assessing value – particularly the economic and social value of public institutions, private organizations, and hybrid social enterprise initiatives as complementary or alternative solutions to social problems.

This evolution has been well-documented in terms of the privatization of the public sector and the move towards New Public Management in the 1980s, as well as the growing marketization of the non-profit sector (Marwell, 2004). The powerful discourse of entrepreneurship seems to be doing something different, however. Whereas privatization and marketization processes are generally framed as efforts to make particular sectors more efficient and responsive, the “entrepreneurialization” of society in a variety of spheres taps into deeper efforts at cultural transformation. Where the “myth of rationalization” permeated organizations, the “myth of entrepreneurship” (Shane, 2010) permeates societies at large, all while targeting individual sensibilities. The idea that everyone is (can be, should be) an entrepreneur in the broad sense of “entrepreneuring their life” marks a dramatic shift in how we understand the balance of individual, community and societal responsibilities for economic and social welfare. Part of the lingering question in the French case is, to what extent are policymakers and government officials aware of
the limited potential of entrepreneurship to tackle the structural problem of youth unemployment in disadvantaged communities? That is, it’s no secret that the kinds of enterprises founded in the quartiers are generally far removed from the high-growth start-ups with the potential to create massive employment. Yet, policies encouraging everyone to be an entrepreneur persist. Exactly how this shift is being enacted, by which actors, through which processes, and with what consequences, remain open questions of great importance.

Lastly, and relatedly, the dissertation raises important questions about the global and comparative dimension to the discourse and policies of entrepreneurship for social change. France is an intriguing case precisely because it’s not obvious that the entrepreneurial agenda would have taken a strong hold there. It is, nevertheless, part of a far-reaching global trend in this direction. Entrepreneurship is hailed across the developing and the developed world as a remedy for unemployment, poverty, social exclusion and gender inequality, among a number of other social ills. Remarkably, even the kind of entrepreneurship one would associate most closely with market interests and the emblem of capitalism – the tech start-ups of Silicon Valley – is increasingly infused with social change language. Silicon Savannah in Kenya, for instance, represents the bastion of hope that tech entrepreneurship can and will catalyze socio-economic development and raise all boats in the developing world. It remains to be understood how exactly this discourse became globalized (the actors, channels and processes that lead to its spread), how it is enacted in local settings, and what the implications are for imported and home-grown solutions to the challenges faced by local communities? Motivated by these larger open questions, the dissertation has sought to contribute a small part of the puzzle. The remaining parts provide the building blocks for an ambitious future research agenda.
Note for all tables and figures: ZUS (zone urbaine sensible) is the official government designation for a disadvantaged community with priority status for public assistance. In this paper, it’s used interchangeably with banlieue and quartier. At the end of 2014, former ZUS were reorganized and relabeled as quartiers prioritaires (QP).

**TABLE 1.1 Timeline of government initiatives and key events related to employment/entrepreneurship in the quartiers**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event/Initiative</th>
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<tbody>
<tr>
<td>1958</td>
<td>Establishment of first geographic priority zones (Zones à urbaniser en priorité - ZUP)</td>
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<tr>
<td>1979-1981</td>
<td>Beginning of urban riots and rodeos in the banlieues around Lyon</td>
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<tr>
<td>1980</td>
<td>Establishment of a permanent inter-ministerial group for banlieue planning and development</td>
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<td>1981</td>
<td>Establishment of a National commission for the social development of the quartiers (Commission nationale pour le développement social des quartiers - CNDSQ)</td>
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<tr>
<td>1982</td>
<td>Establishment of the first missions locales – local orientation centers for 16-25 year olds without a diploma or employment, notably in the domains of employment and training, but also housing, health and other social services.</td>
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<tr>
<td>1983</td>
<td>First national anti-racist movement takes place through the March for Equality and Against Racism</td>
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<tr>
<td>1984</td>
<td>Founding of SOS Racisme, an anti-racist NGO and movement. Continuation of riots near Lyon. Establishment of the Inter-ministerial committee for the city (Comité interministériel des villes)</td>
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<td></td>
<td>Establishment of the Urban social fund (fonds social urbain); the State can allocate funds for development of the banlieues despite decentralization of urban politics.</td>
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<tr>
<td>1986</td>
<td>Establishment of the régies de quartier – non-profit actors engaged in social and economic community development.</td>
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<td>1988</td>
<td>Establishment of the CNV, CIV and DIV (Conseil national, comité interministériel et délégation interministérielle des villes et du développement social urbain) which expands the focus from communities (quartiers) to the cities in which they are embedded.</td>
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<tr>
<td>1990</td>
<td>Renewed riots in quartiers near Lyon. The media draw parallels to the events of 1981 and evoke a « banlieue problem »</td>
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<tr>
<td>Year</td>
<td>Event/Initiative</td>
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<tr>
<td>1990-2005</td>
<td>Establishment of the Ministry of Urban Affairs (Ministère de la ville). Nomination of a Ministre d’État in charge of urban politics. <strong>Contrats emploi-solidarité.</strong> State-financed, short-term contracts in non-commercial establishments to facilitate the labor integration of difficult to employ individuals. Replaced in 2005 by CAE and contrats d’avenir (see below)</td>
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<tr>
<td>1991</td>
<td>Urban riots in Paris region lasting several days.</td>
</tr>
<tr>
<td>1993</td>
<td>Establishment of PLIEs (plans locaux pluriannuels pour l’insertion et l’emploi) to provide individualized support for economic integration of those excluded from labor markets.</td>
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<td>1995</td>
<td>Loi Pasqua. Officially establishes urban regeneration areas (zones de redynamisation urbaine).</td>
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<td>1996</td>
<td>Pacte de relance pour la ville. Redefines the geography of priority territories into three groups of increasing priority/disadvantage (ZUS-ZRU-ZFU); emphasizes economic development, including provisions for reviving commercial spaces within communities.</td>
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<td>1997-2002</td>
<td><strong>Contrats emplois jeunes.</strong> State-assisted employment contracts for those under 26 and unemployed; employment in areas of public benefit (e.g., schools, police, non-profits, public establishments).</td>
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<td>1997</td>
<td>EDEN (encouragement au développement d’entreprises nouvelles) assistance program to support the starting or takeover of businesses by those under 26.</td>
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<td>1998</td>
<td>Loi d’orientation relative à la lutte contre les exclusions. Defines exclusion in the eyes of the law as consisting of complex factors, including lack of access to: employment and training, housing, health services, education and culture, sport, leisure and transportation. Week of urban riots near Toulouse.</td>
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<td>Year</td>
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<td>2000</td>
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<td>2001</td>
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<td>2004</td>
<td>Launch of program</td>
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<td>2005-2008</td>
<td>Launch of program</td>
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<td>2008</td>
<td>Law</td>
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<td>Year</td>
<td>Description</td>
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<tr>
<td>2007</td>
<td><strong>CUCS. Contrats urbains de cohésion sociale.</strong> Contracts between the State and territorial authorities for a transversal approach to territorial development and improving living conditions in the quartiers (employment, education, access to health and transportation, culture, prevention of delinquency).</td>
</tr>
<tr>
<td>2008-2012</td>
<td><strong>Contrat d’autonomie.</strong> Directed specifically towards curbing youth unemployment in the ZUS. Included personalized support for job search, training search, and assistance in starting a business.</td>
</tr>
<tr>
<td>2008</td>
<td><strong>Plan Espoir Banlieues.</strong> Remobilization of efforts to combat inequalities in the banlieues. Prioritization of employment, improving access (geographic and to services); education and security.</td>
</tr>
<tr>
<td>2009</td>
<td>Establishment of self-employment regime (<em>auto-entrepreneur</em>). Significantly reduces the administrative burden of launching a business as a self-employed individual.</td>
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<tr>
<td>2009</td>
<td><strong>NACRE (nouvel accompagnement à la création et à la reprise d’entreprise).</strong> Assistance for those aged 18-26, aged 26-30 without sufficient work experience, welfare beneficiaries, the currently unemployed, and employees of a struggling company, who launch a business in a ZUS.</td>
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<tr>
<td>2010</td>
<td><strong>Contrat unique d’insertion (CUI).</strong> Assisted employment contract for the benefit of re-integrating those facing employability barriers into the labor market. Replaces the CAE and CIE (see above)</td>
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<tr>
<td>2013</td>
<td><strong>Charte entreprises &amp; quartiers.</strong> Affirms priority given to initiatives that promote economic development, entrepreneurship, employment and insertion. Establishes partnerships between large businesses and priority territories to promote these interests.</td>
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<td>2013-2015</td>
<td><strong>Emplois francs.</strong> Experimental initiative meant to encourage hiring in ZUS. Terminated prematurely after poor results (goal of 2000 signed contracts in 2013; as of October 2014 only 280 had been signed).</td>
</tr>
<tr>
<td>2013-2015</td>
<td><strong>Loi Lamy.</strong> Reorganizes existing geographical prioritization zones according to a single, simplified criterion – level of poverty among residents (below 60% of national median income). Former ZUS and CUCs are relabeled quartiers prioritaires (QP) and decrease from 2500 to 1300. Former ZRUs (461) are eliminated. Former ZFUs (100) remain intact geometrically but are renamed ‘territoires entrepreneurs.’ Associated fiscal advantages were reduced substantially.</td>
</tr>
<tr>
<td>2014</td>
<td>Establishment of the Commissariat général à l’égalité des territoires (CGET). Replaces several former institutions of the politique de la ville and oversees initiatives and programs to promote greater territorial equality among communities and regions.</td>
</tr>
<tr>
<td>Year</td>
<td>Description</td>
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</table>
| 2015 | French President François Hollande launches the *Agence France Entrepreneur* (replacing the former APCE) to promote an entrepreneurial spirit in France, consolidate actors and initiatives that aim to develop entrepreneurship and its potential to create employment, and observe and analyze the state of entrepreneurship. The agency has a priority focus on fragile territories.  
*Contrat Starter*. Assisted contract for youth under 30, unemployed, with difficulties accessing the labor market, and meeting one of the following conditions: resident of a *quartier prioritaire* (former ZUS); beneficiary of work welfare benefits; long-term unemployed; handicapped; youth benefiting from other integration initiatives. |
| 2015-2020 | *Nouveaux contrats de ville*. New operational contracts for the banlieues, clearly identify three pillars of the next generation of the *politique de la ville*: (1) development of economic activity and employment—notably through the creation and takeover of enterprises and active support for entrepreneurship, (2) social cohesion, and (3) improving urban quality of life. |
| 2017 | *Garantie jeunes*. Provision for youth aged 16-26 who are neither employed, in training nor in school. To facilitate their labor integration, they receive intense professional coaching.  
Ile-de-France and *Agence France Entrepreneur* launch a call for proposals (‘*Entreprendre dans les quartiers politique de la ville, 2017*’) to support entrepreneurs, enterprise creation and development/sustainability in the *quartiers prioritaires*. |

*Constructed from:* Kirszbaum (2015); INSEE; French Ministry of Labor; Legifrance; CGET; Ministry of Territorial Cohesion; Agence France Entrepreneur; collection of public discourses ([http://www.vie-publique.fr/discours/](http://www.vie-publique.fr/discours/))
FIGURE 1.1 Total number of enterprise births in France, 2000-2011

Source: APCE and Cour de comptes
TABLE 1.2 proportion of population in Ile-de-France living in ZUS, by department

<table>
<thead>
<tr>
<th>Department</th>
<th>Number of ZUS</th>
<th>Total Population</th>
<th>% of population living in ZUS (pre 2014 reform)</th>
<th>% of Population living in ZUS (post 2014 reform)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seine-Saint-Denis</td>
<td>63</td>
<td>1,552,500</td>
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<td>1,253,900</td>
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<tr>
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<td>2,229,600</td>
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<tr>
<td>Île-de-France Region</td>
<td>272</td>
<td>11,976,000</td>
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*Source: INSEE, census 2006 and 2013. Reprinted in INSEE report no. 57 (March, 2017)*

TABLE 1.3 Characteristics of quartiers prioritaires (QP) relative to surrounding communities

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<tr>
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<th>Île-de-France</th>
<th>Metropolitan France</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>QP</td>
<td>Surrounding areas</td>
</tr>
<tr>
<td>Median income</td>
<td>13 663</td>
<td>21 905</td>
</tr>
<tr>
<td>Poverty rate (%)</td>
<td>37</td>
<td>16</td>
</tr>
<tr>
<td>% Households receiving unemployment benefits</td>
<td>24</td>
<td>16</td>
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</table>

*Source: INSEE, 2012*
<table>
<thead>
<tr>
<th>ENTREPRENEURIAL IDENTITY</th>
<th>IMPACT OPPORTUNITY RECOGNITION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial</strong></td>
<td></td>
</tr>
<tr>
<td><em>(Explaining the choice to pursue a 100% made in France strategy)</em></td>
<td></td>
</tr>
<tr>
<td>« I read a number of books on luxury marketing, and it’s a completely conscious choice...[if] I want to position myself in the luxury domain...next to...I don’t know, Vuitton, Hermès...all those companies... » (EC14)</td>
<td></td>
</tr>
<tr>
<td><strong>Personal attachment to quartiers</strong></td>
<td></td>
</tr>
<tr>
<td>« ...I have a connection to the place where I grew up, which is basically my village. My daughter, for instance, goes to elementary school where I went. You see? And I bring her regularly to the elementary school that I attended myself when I was her age.[...] I like my quartier. I like my city...You know, a quartier is like a mother. Even when she’s ugly, you still love her” (EC12).</td>
<td></td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td></td>
</tr>
<tr>
<td>« The last one [we funded] was a non-profit garden for work integration....We lent them money for their treasury, without interest, so they paid us back but we didn’t earn anything. So there...in essence, the return on investment wasn’t really our criterion” (SO6).</td>
<td></td>
</tr>
<tr>
<td><strong>Professional attachment to quartiers</strong></td>
<td></td>
</tr>
<tr>
<td>“I don’t want to say you’d have to be an idiot, but basically, to want to move us from here. Not to mention that today, you read an article about [us] and we always mention we’re located in [this quartier], in a priority zone. So that attracts people to the neighborhood. It’s certain. We bring publicity to the city and the area » (EC13)</td>
<td></td>
</tr>
</tbody>
</table>
Target of impact – neediest

“We [would have] been following a logic of selecting the elites…the best. The classic thing. For us, the criteria aren’t to select the best; it’s to select those for whom [the training] would be most useful” (SO7).

Target of impact – those with greatest potential

« We look at the sector, to see if there’s competition, if it’s mature, if it’s innovative. Keeping in mind…when it’s innovative it means there isn’t a market yet…and that’s more interesting because to [reach] our ROI we need very strong growth. So we need companies that are essentially emerging » (SO10)

Theory of impact – entrepreneurship as an ideational means of achieving various social integration goals

(recalling an encounter with a former participant in the entrepreneurship workshop) « I ran into her not so long ago and asked how it was going. She told me, ‘Listen, my projects didn’t quite turn out as I wanted, but I look after children and that allows me to make a living.’ And she says, ‘I left my husband, because I realized [he] created a lot of roadblocks and it wasn’t the life I wanted to lead.’ And I thought to myself, well that’s also entrepreneuring one’s life. I mean, the goal isn’t that they get divorced…but for me it’s a sort of success in terms of what we could bring [to her] by way of entrepreneurship […] because she realized what was important to her, the values she wanted to defend for her family. She

Theory of impact – entrepreneurship as a functional ends towards enterprise creation and large-scale job creation

« [Company success] is of course revenues…it’s the revenues that define a company that will be able to provide a living for many people, that will be able to employ a lot of people […] A company that has a single person working for it, in essence is working for itself. Currently, the problem in France is that they say a lot of large companies are closing […] So jobs have to be created. So a company that can create jobs is a company that ‘succeeds’…” (EC4).
carved her own path…And I find that valuable…it’s a success in my eyes” (SO12).

### IMPACT OPPORTUNITY EXPLOITATION

<table>
<thead>
<tr>
<th>Described measures of impact – aspirational</th>
<th>Described measures of impact – pragmatic</th>
</tr>
</thead>
<tbody>
<tr>
<td>« For three successive years it was a real success, it was really a huge deal. It was moments of recognition…I think it’s there that I said to myself. « Damn, I’ve really done something big”. We started with nothing. We did our rehearsals in a soccer field and today we’re in the [famous theater X]. […] I succeeded in making the connection . I brought in [famous people] from cinema to do short films with us. That was really the key for me. The key was to bring people together.” (EC3)</td>
<td></td>
</tr>
<tr>
<td>« In terms of results we’re at 30% enterprise creation within 3 years and 60% return to employed status [after completing the program].” (SO3)</td>
<td></td>
</tr>
<tr>
<td>[could find another example that’s more along the lines of changing the image/transforming society that’s really hard to measure]</td>
<td></td>
</tr>
<tr>
<td>« Our goal is to have something efficient [as a measure] where we’re not forcing either the entrepreneur or our employees to take a survey that takes 3 hours to detail every point. Because there is plenty of interesting information, but it’s too time-consuming. And finding the right balance isn’t easy…considering we […] support at the same time an entrepreneur of a small commerce in the quartiers…and a huge social enterprise…with [thousands of] employees.” (SO17) [check that I took into account their split population]</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Majority of actions/impact directed towards quartiers</th>
<th>Majority of actions/impact NOT directed towards quartiers</th>
</tr>
</thead>
</table>

82% of the general public attended to is from a quartier; 75% of awareness-building activities conducted in a quartier (SO22, annual report presentation, year)

900 businesses launched in 6 years; only operate with youth in the quartiers interested in starting a business (Media interview with EC8, 2008 before the organization closed down).

Hired 19 employees in 2015, more than half of them from the local quartier via work integration contracts (EC13, company website).

Potential/ambition for job creation – low

“I continued to make do with what I had, it was sustainable and I employed essentially low-wage workers…a lot of young women pursuing a professional degree in sales who couldn’t find an employer. […] I earned less than what I hoped, but at least I know that today those young women – I hear from some of them – they’ve either gotten their GED, they’re working…” (EC6).

Potential/ambition for job creation - medium

“Our target…is to accompany SMEs or rather companies that have the potential to develop 1M in revenues and 10 employees within 3 years. So I have to juggle [two considerations]…I think it’s both important to have very young companies and to consider that they have potential, as well as ones that are developed economically” (SO5).

Up to 25% of those accompanied are residents of a quartier (SO1, annual report 2016)

40% of the public attended to resides in a quartier (SO15, annual report, 2015)

8.5% of those who start a business [following the program] are from a quartier (SO2, annual report 2016).
Potential/ambition for job creation – high

“We feel that the social and environmental challenges are great, and so it’s our role to try to invest in companies that will have the greatest possible leverage effect and whose potential impact will be the greatest possible.[…] It’s happened that we’ve refused applications that asked for 300, 500,000 EUR and in the end it was for 5-6 jobs in 3 or 4 years. That’s insufficient for us. » (SO11)

Potential/ambition for job creation – shift from high (previous work) to low (current work)

« Personally, I take an approach that says, [social entrepreneurship] is great, but it’s really the next phase…the other approach is really the individual and working on the individual; and while I say this, I’m conscious that by founding organizations I could reach hundreds of thousands of people; now with this work, I reach a few people, but it’s perfectly sufficient for me” (EC8).
FIGURE 1.2 Map of varieties of social entrepreneurship based on job creation potential and impact on the quartiers

- Majority of activities/impact directed towards quartiers
  - Cultural entrepreneurship (by entrepreneurs from quartiers)
  - Mediating entrepreneurship
    - Relational entrepreneurship
  - Split entrepreneurship (by supporting organizations)
  - Cultural entrepreneurship (by supporting organizations)
    - Scaling entrepreneurship
  - Majority of activities/impact NOT directed towards quartiers
FIGURE 1.3 Paths to varieties of social entrepreneurship
<table>
<thead>
<tr>
<th>ENTR. IDENTITY</th>
<th>IMPACT OPPORTUNITY RECOGNITION</th>
<th>IMPACT OPPORTUNITY EXPLOITATION</th>
<th>VARIETY OF SE</th>
<th>ID</th>
</tr>
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<tbody>
<tr>
<td>Social, commerical</td>
<td>Attachment to <em>quartiers</em> (personal, professional)</td>
<td>Target of impact (neediest, potential)</td>
<td>Theory of change (ideational, functional)</td>
<td>Impact measures described (aspirational pragmatic)</td>
</tr>
<tr>
<td>C</td>
<td>NONE</td>
<td>P</td>
<td>F</td>
<td>A /</td>
</tr>
<tr>
<td>C</td>
<td>PERS</td>
<td>P</td>
<td>F</td>
<td>BOTH /</td>
</tr>
<tr>
<td>C</td>
<td>(discussed)</td>
<td>P</td>
<td>BOTH</td>
<td>A /</td>
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<tr>
<td>C</td>
<td>PERS</td>
<td>(not discussed)</td>
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<td>BOTH /</td>
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1 Local branches of the same federated structure, along with AS7
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<td>A</td>
<td>Y</td>
<td>high</td>
<td>scaling</td>
<td>EC9</td>
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<th>Social, commercial</th>
<th>Attachment to QPV (personal, professional)</th>
<th>Target of impact (neediest, potential)</th>
<th>Theory of change (ideational, functional)</th>
<th>Impact measures described (aspirational, pragmatic)</th>
<th>majority of actions and/or impact directed to QPV</th>
<th>Potential/ambition for job creation</th>
</tr>
</thead>
</table>

**ENTR. IDENTITY** | **IMPACT OPPORTUNITY RECOGNITION** | **IMPACT OPPORTUNITY EXPLOITATION** | **VARIETY OF SE** | **ID**
Figure 2.1 Kaplan-Meier survival estimate of full organizational population, excluding covariates

Figure 2.2 Cox regression estimated hazard function by median household income in municipality (commune), grouped into quartiles
Figure 2.3 Cox regression estimated hazard function by percent of population unemployed, grouped into quartiles

Figure 2.4 Cox regression estimated hazard function based on local political party in office
Table 2.1 Cox regression model, hazard ratio for community-level factors

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
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</thead>
<tbody>
<tr>
<td><strong>Municipal-level factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>1.000* (0.00)</td>
<td>1.000 (0.000)</td>
</tr>
<tr>
<td>Gini coefficient</td>
<td>1.896 (1.49)</td>
<td>0.901 (0.86)</td>
</tr>
<tr>
<td><strong>Local resources &amp; expenditures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax receipts per capita</td>
<td>0.999*** (0.00)</td>
<td>0.999* (0.00)</td>
</tr>
<tr>
<td>Public budget surplus per capita</td>
<td>1.001 (0.00)</td>
<td>1.000 (0.00)</td>
</tr>
<tr>
<td>Public subsidies allocated per capita</td>
<td>1.000 (0.00)</td>
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<tr>
<td>Public investment per capita</td>
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<td>1.000 (0.00)</td>
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<td><strong>Median income (ref = 1st quartile)</strong></td>
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</tr>
<tr>
<td>25-50th percentile</td>
<td>0.752* (.08)</td>
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<tr>
<td>51-75th percentile</td>
<td>0.553*** (0.07)</td>
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</tr>
<tr>
<td>&gt;75th percentile</td>
<td>0.502*** (0.06)</td>
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<tr>
<td><strong>Proportion unemployed (ref=1st quartile)</strong></td>
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<td></td>
</tr>
<tr>
<td>25-50th percentile</td>
<td>1.127 (0.15)</td>
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</tr>
<tr>
<td>51-75th percentile</td>
<td>0.924 (0.13)</td>
<td></td>
</tr>
<tr>
<td>&gt;75% percentile</td>
<td>0.702* (0.14)</td>
<td></td>
</tr>
<tr>
<td><strong>Political party in office (ref=far left)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Left</td>
<td>1.154 (0.30)</td>
<td></td>
</tr>
<tr>
<td>Center</td>
<td>1.264 (0.40)</td>
<td></td>
</tr>
<tr>
<td>Right</td>
<td>1.186 (0.32)</td>
<td></td>
</tr>
<tr>
<td>Far right</td>
<td>2.398 (1.82)</td>
<td></td>
</tr>
<tr>
<td>Other (green, local/regional, independent party)</td>
<td>1.433 (0.40)</td>
<td></td>
</tr>
<tr>
<td><strong>Political stability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change of party in office</td>
<td>1.212 (0.22)</td>
<td></td>
</tr>
<tr>
<td>Total number of party changes (ref = none)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 change</td>
<td>0.690*** (0.06)</td>
<td></td>
</tr>
<tr>
<td>2 changes</td>
<td>0.695*** (0.07)</td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-6479.0212</td>
<td>-6340.407</td>
</tr>
<tr>
<td>LR test(chi2(df))</td>
<td>27.00(7)****</td>
<td>70.36(18)***</td>
</tr>
<tr>
<td>BIC</td>
<td>13028.0</td>
<td>12870.1</td>
</tr>
<tr>
<td>N</td>
<td>21859</td>
<td>21471</td>
</tr>
</tbody>
</table>
Figure 2.5 Cox regression-estimated hazard function by category of organizational governance

Figure 2.6 Cox regression-estimated hazard function comparing SCICs to non-SCICs
Figure 2.7 Cox model-hazard function by social/commercial category of activity

Figure 2.8 Cox regression-estimated hazard by specific sectors of activity
### Table 2.2 Cox regression model, hazard ratio for organization-level factors

<table>
<thead>
<tr>
<th>Organizational-level factors</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of employees (by category, ref=0)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2</td>
<td>0.243*** (0.02)</td>
<td>0.227*** (0.02)</td>
</tr>
<tr>
<td>3-9</td>
<td>0.154*** (0.01)</td>
<td>0.139*** (0.01)</td>
</tr>
<tr>
<td>10-19</td>
<td>0.084*** (0.02)</td>
<td>0.078*** (0.01)</td>
</tr>
<tr>
<td>20-49</td>
<td>0.044*** (0.01)</td>
<td>0.042*** (0.01)</td>
</tr>
<tr>
<td>50-99</td>
<td>0.036*** (0.02)</td>
<td>0.036*** (0.02)</td>
</tr>
<tr>
<td>100+</td>
<td>0.035*** (0.02)</td>
<td>0.035*** (0.02)</td>
</tr>
<tr>
<td>Age</td>
<td>1.015*** (0.00)</td>
<td>1.012*** (0.00)</td>
</tr>
<tr>
<td><strong>Governance form (ref=commercial enterprise)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>single-stakeholder cooperative</td>
<td>1.219* (0.10)</td>
<td></td>
</tr>
<tr>
<td>multi-stakeholder cooperative</td>
<td>0.475*** (0.06)</td>
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</tr>
<tr>
<td><strong>Sector of activity (ref=social)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic</td>
<td>1.105 (0.11)</td>
<td></td>
</tr>
<tr>
<td><strong>Organization changed form</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-7874.7064</td>
<td>-7773.0505</td>
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<tr>
<td>LR test(chi2(df))</td>
<td>1011.62(7)***</td>
<td>1165.75(11)***</td>
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<td>12860.4</td>
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<tr>
<td>N</td>
<td>26574</td>
<td>26563</td>
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Table 2.3 Full Cox regression model, hazard ratios by organizational and community-level factors

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<tr>
<td>Organizational-level factors</td>
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</tr>
<tr>
<td>Number of employees (by category, ref=0)</td>
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</tr>
<tr>
<td>1-2</td>
<td>0.241*** (0.03)</td>
</tr>
<tr>
<td>3-9</td>
<td>0.142*** (0.01)</td>
</tr>
<tr>
<td>10-19</td>
<td>0.081*** (0.02)</td>
</tr>
<tr>
<td>20-49</td>
<td>0.034*** (0.01)</td>
</tr>
<tr>
<td>50-99</td>
<td>0.045*** (0.02)</td>
</tr>
<tr>
<td>100+</td>
<td>0.043*** (0.02)</td>
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<tr>
<td>Age</td>
<td>1.010** (0.00)</td>
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<tr>
<td>Governance form (ref=commercial enterprise)</td>
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</tr>
<tr>
<td>single-stakeholder cooperative</td>
<td>1.318** (0.13)</td>
</tr>
<tr>
<td>multi-stakeholder cooperative</td>
<td>0.567*** (0.09)</td>
</tr>
<tr>
<td>Sector of activity (ref=social)</td>
<td></td>
</tr>
<tr>
<td>economic</td>
<td>1.005 (0.11)</td>
</tr>
<tr>
<td>Organization changed form</td>
<td>0.202* (0.14)</td>
</tr>
<tr>
<td>Municipal-level factors</td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>1.000 (0.00)</td>
</tr>
<tr>
<td>Gini coefficient</td>
<td>0.319 (0.31)</td>
</tr>
<tr>
<td>Local resources &amp; expenditures</td>
<td></td>
</tr>
<tr>
<td>Tax receipts per capita</td>
<td>0.999** (0.00)</td>
</tr>
<tr>
<td>Public budget surplus per capita</td>
<td>1.001 (0.00)</td>
</tr>
<tr>
<td>Public subsidies allocated per capita</td>
<td>1.000 (0.00)</td>
</tr>
<tr>
<td>Public investment per capita</td>
<td>1.000 (0.00)</td>
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<tr>
<td>Median income (ref = 1st quartile)</td>
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<tr>
<td>25-50th percentile</td>
<td>0.856 (0.10)</td>
</tr>
<tr>
<td>51-75th percentile</td>
<td>0.651*** (0.08)</td>
</tr>
<tr>
<td>&gt;75th percentile</td>
<td>0.584*** (0.08)</td>
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<tr>
<td>Proportion unemployed (ref=1st quartile)</td>
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</tr>
<tr>
<td>25-50th percentile</td>
<td>1.127 (0.15)</td>
</tr>
<tr>
<td>51-75th percentile</td>
<td>0.924 (0.13)</td>
</tr>
<tr>
<td>&gt;75% percentile</td>
<td>0.702* (0.14)</td>
</tr>
<tr>
<td>Political party in office (ref=far left)</td>
<td></td>
</tr>
<tr>
<td>Left</td>
<td>1.154 (0.30)</td>
</tr>
<tr>
<td>Center</td>
<td>1.264 (0.40)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
<td>----------</td>
</tr>
<tr>
<td><strong>Right</strong></td>
<td>1.186 (0.32)</td>
</tr>
<tr>
<td><strong>Far right</strong></td>
<td>2.398 (1.82)</td>
</tr>
<tr>
<td><strong>Other (green, local/regional, independent party)</strong></td>
<td>1.433 (0.40)</td>
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</tbody>
</table>

**Political stability**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Change of party in office</strong></td>
<td>1.212 (0.22)</td>
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<tr>
<td><strong>Total number of party changes (ref = none)</strong></td>
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<tr>
<td>1 change</td>
<td>0.692*** (0.06)</td>
</tr>
<tr>
<td>2 changes</td>
<td>0.782* (0.08)</td>
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Log likelihood -5872.7745
LR test(chi2(df)) 957.88(30)***
BIC 12057.9
N 21463

Exponentiated coefficients (hazard ratios). *p<0.05 **p<0.001 ***p<0.001
### Table 2.4 Interaction effects between community and organizational factors

(1a) **Political party X Governance form**  
Reference category: left party, classic enterprise  
<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Left X cooperative</td>
<td>1.207 (0.16)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>X SCIC</td>
<td><strong>0.526</strong> (0.11)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Center X classic enterprise</td>
<td>0.940 (0.35)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X cooperative</td>
<td>1.025 (0.26)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>X SCIC</td>
<td>0.789 (0.47)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Right X classic enterprise</td>
<td>0.818 (0.17)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X cooperative</td>
<td>1.255 (0.18)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X SCIC</td>
<td><strong>0.563</strong> (0.14)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Other X classic enterprise</td>
<td>1.514 (0.36)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X cooperative</td>
<td>1.227 (0.20)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X SCIC</td>
<td><strong>0.387</strong> (0.13)</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

(1b) **Political party X Sector of activity**  
Reference category: left party, social sector  
|                          |                   |                  |                  |                  |
| Left X economic sector   | 1.136 (0.15)      |                  |                  |                  |
| Center X social sector   | 1.007 (0.46)      |                  |                  |                  |
| X economic sector        | 1.018 (0.23)      |                  |                  |                  |
| Right X social sector    | 0.891 (0.22)      |                  |                  |                  |
| X economic sector        | 1.152 (0.16)      |                  |                  |                  |
| Other X social sector    | 0.845 (0.25)      |                  |                  |                  |
| X economic sector        | 1.187 (0.19)      |                  |                  |                  |

(1c) **Political stability X Governance form**  
Reference category: no change, classic enterprise  
|                          |                   |                  |                  |                  |
| No change X cooperative  | **1.235** (.13)   |                  |                  |                  |
| X SCIC                   | **.487***** (.08) |                  |                  |                  |
| Change X classic enterprise | 1.117 (.44)   |                  |                  |                  |
| X cooperative            | 1.145 (.26)       |                  |                  |                  |
| X SCIC                   | 1.203 (.45)       |                  |                  |                  |

(1d) **Political stability X Sector of activity**  
Reference category: no change, social  
|                          |                   |                  |                  |                  |
| No change X economic     | 1.203 (.13)       |                  |                  |                  |
| Change X social          | 1.341 (.57)       |                  |                  |                  |
| Change X economic        | 1.269 (.265)      |                  |                  |                  |

(1e) **Number of political changes X Governance form**  
Reference category: no changes, classic enterprise  
<p>| | | | | |
|                          |                   |                  |                  |                  |
| No changes X cooperative | 1.155 (.15)       |                  |                  |                  |
| X SCIC                   | <strong>.511</strong>** (.11) |                  |                  |                  |
| 1 change X classic enterprise | <strong>.606</strong>* (.13) |                  |                  |                  |
| X cooperative            | .888 (.13)        |                  |                  |                  |
| X SCIC                   | <strong>.403</strong>** (.11) |                  |                  |                  |
| 2 changes X classic enterprise | .887 (.18) |                  |                  |                  |
| X cooperative            | .995 (.15)        |                  |                  |                  |
| X SCIC                   | <strong>.377</strong>*** (.10) |                  |                  |                  |</p>
<table>
<thead>
<tr>
<th>(1f) Number of political changes X Sector of activity</th>
<th>Reference category: no changes, social</th>
</tr>
</thead>
<tbody>
<tr>
<td>No changes X economic</td>
<td>1.253 (.19)</td>
</tr>
<tr>
<td>1 change X social</td>
<td>1.011 (.25)</td>
</tr>
<tr>
<td>X economic</td>
<td>.887 (.14)</td>
</tr>
<tr>
<td>2 changes X social</td>
<td>.760 (.18)</td>
</tr>
<tr>
<td>X economic</td>
<td>1.058 (.17)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(2a) Household income X Governance form</th>
<th>Reference category: 1st quartile, classic enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st quartile X cooperative</td>
<td>1.529* (0.31)</td>
</tr>
<tr>
<td>X SCIC</td>
<td>0.603 (0.21)</td>
</tr>
<tr>
<td>2nd percentile X classic enterprise</td>
<td>1.228 (0.30)</td>
</tr>
<tr>
<td>X cooperative</td>
<td>1.220 (.25)</td>
</tr>
<tr>
<td>X SCIC</td>
<td>0.507* (0.15)</td>
</tr>
<tr>
<td>3rd quartile X classic enterprise</td>
<td>0.944 (0.24)</td>
</tr>
<tr>
<td>X cooperative</td>
<td>0.891 (0.19)</td>
</tr>
<tr>
<td>X SCIC</td>
<td>0.529* (0.15)</td>
</tr>
<tr>
<td>4th quartile X classic enterprise</td>
<td>0.631 (0.16)</td>
</tr>
<tr>
<td>X cooperative</td>
<td>1.006 (0.21)</td>
</tr>
<tr>
<td>X SCIC</td>
<td>0.324*** (0.10)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(2b) Household income X Sector of activity</th>
<th>Reference category: 1st quartile, social</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st quartile X economic</td>
<td>0.966 (0.19)</td>
</tr>
<tr>
<td>2nd quartile X social</td>
<td>0.939 (0.25)</td>
</tr>
<tr>
<td>X economic</td>
<td>0.814 (0.16)</td>
</tr>
<tr>
<td>3rd quartile X social</td>
<td>0.449** (0.14)</td>
</tr>
<tr>
<td>X economic</td>
<td>0.662* (0.14)</td>
</tr>
<tr>
<td>4th quartile X social</td>
<td>0.398** (0.12)</td>
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<tr>
<td>X economic</td>
<td>0.664* (0.14)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>(3a) Proportion unemployed X Governance form</th>
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</tr>
</thead>
<tbody>
<tr>
<td>X classic enterprise</td>
<td>0.964 (0.03)</td>
</tr>
<tr>
<td>X cooperative</td>
<td>0.996 (0.02)</td>
</tr>
<tr>
<td>X SCIC</td>
<td>0.878*** (0.03)</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>(3b) Proportion unemployed X Sector of activity</th>
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</thead>
<tbody>
<tr>
<td>X Social sector</td>
<td>0.954 (0.02)</td>
</tr>
<tr>
<td>X Economic sector</td>
<td>0.971 (0.02)</td>
</tr>
</tbody>
</table>
Figure 2.9 Cox regression-estimated hazard function at specific values of commune-level household median income (6 categories)

Figure 2.10 Cox regression estimated hazard function at specific values of percent of the population unemployed (lowest, 25\textsuperscript{th} percentile, median, 75\textsuperscript{th} percentile, highest)
Figure 2.11 Cox regression-estimated hazard function at specific values of commune-level household median income (4 categories)
FIGURE 3.1 Breakdown of SCICs by sector of activity – comparison of national versus interview sample.

*CAE (cooperative d’activité et d’emploi) is a unique form of cooperative that allows liberal professionals to maintain their independent activity while enjoying some of the infrastructure and social protections as “employees” of the CAE.

FIGURE 3.2 SCICs in operation today relative to total number created and dissolved until end 2015

Source: compiled from *annuaire des SCICs* (CGSCOP) and documents provided by a representative of the CGSCOP on organizational closures and transformations away from the SCIC form.
<table>
<thead>
<tr>
<th>Interviewee Code</th>
<th>Principal Sector of Activity</th>
<th>Age at time of interview/closing (years)</th>
<th>Founded ex-nihilo as SCIC</th>
<th>Profile</th>
<th>Status at time of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCIC1</td>
<td>sharing economy</td>
<td>4-5</td>
<td></td>
<td>Largely pragmatic reasons for SCIC but no real governance – single employee</td>
<td>Looking to expand</td>
</tr>
<tr>
<td>SCIC3</td>
<td>art/media/culture</td>
<td>&lt;1</td>
<td>X</td>
<td>Largely ideological reasons for SCIC but no real governance – single employee</td>
<td>Getting established</td>
</tr>
<tr>
<td>SCIC20</td>
<td>art/media/culture</td>
<td>2-3</td>
<td></td>
<td>*unique experience-pushed to convert to SCIC by outside parties</td>
<td>Closed</td>
</tr>
<tr>
<td>SCIC11</td>
<td>Education</td>
<td>3-4</td>
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<td>Relentless idealist</td>
<td>Struggling</td>
</tr>
<tr>
<td>SCIC24</td>
<td>art/media/culture</td>
<td>4-5</td>
<td>X</td>
<td>Relentless idealist</td>
<td>Closed</td>
</tr>
<tr>
<td>SCIC25</td>
<td>art/media/culture</td>
<td>&gt;10</td>
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<td>Relentless idealist</td>
<td>Change of leadership</td>
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<td>SCIC26</td>
<td>sharing economy</td>
<td>1-2</td>
<td>X</td>
<td>Relentless idealist</td>
<td>Closed</td>
</tr>
<tr>
<td>SCIC4</td>
<td>art/media/culture</td>
<td>&gt;10</td>
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<td>Reformist idealist</td>
<td>Stable</td>
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<td>SCIC8</td>
<td>Education</td>
<td>&lt;1</td>
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<td>Reformist idealist</td>
<td>Stable</td>
</tr>
<tr>
<td>SCIC19</td>
<td>art/media/culture</td>
<td>6-10</td>
<td>X</td>
<td>Reformist idealist</td>
<td>Change of leadership, change of governance</td>
</tr>
<tr>
<td>SCIC27</td>
<td>food services</td>
<td>2-3</td>
<td></td>
<td>Reformist idealist</td>
<td>Change of leadership, change of governance</td>
</tr>
<tr>
<td>SCIC2</td>
<td>art/media/culture</td>
<td>6-10</td>
<td>X</td>
<td>Relentless pragmatist</td>
<td>Stable</td>
</tr>
<tr>
<td>SCIC5</td>
<td>Consulting</td>
<td>2-3</td>
<td>X</td>
<td>Relentless pragmatist</td>
<td>Struggling</td>
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<tr>
<td>SCIC6</td>
<td>digital/manufacturing</td>
<td>3-4</td>
<td>X</td>
<td>Relentless pragmatist</td>
<td>Considering change of form</td>
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<tr>
<td>SCIC7</td>
<td>fair trade</td>
<td>&gt;10</td>
<td></td>
<td>Relentless pragmatist</td>
<td>Struggling</td>
</tr>
<tr>
<td>SCIC9</td>
<td>Consulting Education tourism/leisure</td>
<td>&gt;10</td>
<td>X</td>
<td>Relentless pragmatist</td>
<td>Looking to expand</td>
</tr>
<tr>
<td>--------</td>
<td>-------------------------------------</td>
<td>------</td>
<td>---</td>
<td>----------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>SCIC12</td>
<td>Education tourism/leisure</td>
<td>1-2</td>
<td>X</td>
<td>Relentless pragmatist</td>
<td></td>
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<tr>
<td>SCIC13</td>
<td>tourism/leisure</td>
<td>4-5</td>
<td>X</td>
<td>Relentless pragmatist</td>
<td></td>
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<tr>
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<td></td>
<td></td>
<td>Stable</td>
<td></td>
</tr>
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<td>X</td>
<td>Relentless pragmatist</td>
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<td>&gt;10</td>
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<td>Relentless pragmatist</td>
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<td>economic development</td>
<td>&gt;10</td>
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<td>Relentless pragmatist</td>
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<td></td>
<td></td>
<td>Struggling</td>
<td></td>
</tr>
<tr>
<td>SCIC10</td>
<td>art/media/culture</td>
<td>&gt;10</td>
<td></td>
<td>Creative multi-hybrid</td>
<td></td>
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<tr>
<td>SCIC14</td>
<td>Sustainability</td>
<td>2-3</td>
<td>X</td>
<td>Creative multi-hybrid</td>
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</tr>
<tr>
<td>SCIC15</td>
<td>Education</td>
<td>3-4</td>
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<td>Creative multi-hybrid</td>
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<td>SCIC16</td>
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<td>Stable</td>
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<td>SCIC21</td>
<td>art/media/culture</td>
<td>&gt;10</td>
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<td>Creative multi-hybrid</td>
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<td>SCIC22</td>
<td>Sustainability</td>
<td>1-2</td>
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<td>Creative multi-hybrid</td>
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<tr>
<td>SCIC28</td>
<td>Sustainability</td>
<td>&gt;10</td>
<td>X</td>
<td>Creative multi-hybrid</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Growing</td>
<td></td>
</tr>
</tbody>
</table>

*Creative multi-hybrid but with dormant democratic governance

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### TABLE 3.2 List of archival documents used in analysis

<table>
<thead>
<tr>
<th>Type of Source</th>
<th>Organizations for which source was used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational statutes</td>
<td>SCIC8; SCIC10; SCIC19; SCIC2; SCIC28; SCIC9; SCIC17; SCIC16; SCIC5; SCIC26; SCIC21</td>
</tr>
<tr>
<td>Description of governance on organizational website</td>
<td>SCIC10; SCIC11; SCIC13; SCIC2; SCIC21; SCIC22; SCIC23; SCIC24; SCIC25; SCIC27; SCIC28; SCIC3; SCIC5; SCIC8; SCIC9</td>
</tr>
<tr>
<td>Organizational website / presentational material (e.g. brochures, pamphlets)</td>
<td>all</td>
</tr>
<tr>
<td>Annual reports</td>
<td>SCIC8 (2003-2015); SCIC7 (2011-2015); SCIC28 (2015); SCIC15</td>
</tr>
<tr>
<td>Organization-specific announcements on CGSCOP website (e.g. regarding launch of an organization, retrospective, funding campaign, featured profile)</td>
<td>SCIC17; SCIC25; SCIC10; SCIC1; SCIC2; SCIC28; SCIC13; SCIC15; SCIC19; SCIC11</td>
</tr>
<tr>
<td>Documents regarding SCICs and the SCIC form generally (from CGSCOP)</td>
<td>Definition of SCICs; specifications of SCICs; choosing the SCIC statute; history/timeline of SCICs; sectors of activity of SCICs; SCICs in numbers; presentation of SCICs; the role of Director in a SCIC; identity and trademark of SCICs; SCIC Manifesto; Converting to SCIC from a for-profit; converting to SCIC from a non-profit; workshop on managing a SCIC; workshop on growing your SCIC; workshops on managing multi-stakeholder governance; the challenges of multi-stakeholder governance; best practices in the social and solidarity economy; capital in a SCIC; indivisible reserves in a SCIC; categories of stakeholders in a SCIC Conference celebrating 10 years of SCICs (2012); first general meeting (AGORA) of SCICs (2015/2016)</td>
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</table>
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