

ANTECEDENTS OF HYBRID COMMUNICATION BY MICROENTERPRISES: A MICROFOUNDATIONS APPROACH

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ABSTRACT

We study a neglected manifestation of hybridity: the communication of both social and financial themes. Our analysis of online pitches by microenterprises worldwide indicates that the legitimacy pressures experienced by women-focused organizations, and by women microentrepreneurs, are further exacerbated by fragile states, thus orienting these microenterprises to communicate less hybridity.

INTRODUCTION

Hybrid organizations are increasingly recognized as legitimate entities. Indeed, social and economic value creation (the ‘hybrid ideal’) permeates these organizations and demarcates what it means to be a hybrid (Battilana, Lee, Walker, & Dorsey, 2012). Yet despite the popularity of hybrid organizations, their survival over time depends on their conforming to normative expectations about what they should be (DiMaggio & Powell, 1983). Individually, social and commercial logics are consistent and offer coherent paths for action: a social logic is associated with philanthropic funding and goals that place social impact first, while a commercial logic emphasizes competitiveness, revenues, and financial outcomes (Battilana et al., 2012). However, in combination, they present challenges to legitimacy and incompatible prescriptions, leading to uncertainty and even conflict in managing the resultant tensions (Pache & Santos, 2010). In the literature on hybrid organizing, hybridity is defined as “the mixing of core organizational elements that would not conventionally go together” (Battilana, Besharov, & Mitzinneck, 2017: 129). Many articles on hybrid organizing use ideas grounded in institutional logics or organizational identities to examine dimensions of hybrid organizing that vary as to their integration or differentiation to address organizational tensions: inter-organizational relationships, culture, organizational design, workforce composition, and organizational activities (e.g., Battilana et al., 2017; Battilana & Lee, 2014; Besharov & Smith, 2014; Kraatz & Block, 2008; Pache & Santos, 2013). Despite the variety of mechanisms invoked, the common threads running throughout current research are the specification of tensions underlying the dimensions of hybrid organizing, and the quest to harmonize these tensions to achieve and maintain the hybrid ideal.

However, the role of communication has been under-theorized and under-applied in the hybrid organizing literature. Communication has been invoked as a key feature of institutional

logics (Lammers, 2011; Sandhu, 2009) and of organizational identity (Dhalla, 2007; Scott & Lane, 2000), and thus of hybrid organizing by extension. Communication is social interaction that builds on discourses, texts, gestures, speech, and other means (Cornelissen, et al., 2015). Prior work has established that communication is one means by which institutional logics are represented (Durand & Jourdan, 2012; Lok, 2010), and that communication is necessary for legitimacy (Suddaby & Greenwood, 2005). Notably missing from the conversation, however, are 1) the inclusion of communication as an additional dimension of hybrid organizing, distinct from other dimensions like culture and workforce composition; and 2) the macro-, meso-, and micro-level antecedents which might influence communicated expressions of organizational hybridity. Including communication extends theorizing on hybrid organizing because, as a representation of institutional logics and organizational identity, it is an observable fact of organizational life through which tensions might be manifest, in much the same way that workforce composition and organizational activities are observable facts. And as an observable fact, communication has a direct bearing on the legitimacy of hybrid organizing. Indeed, neglecting communication when theorizing on hybrid organizing overlooks a key facet of inter- and intra-organizational influence.

The purpose of this paper is to study the institutional, organizational, and individual level influences related to communicated expressions of hybridity. We complement current perspectives on hybrid organizing by examining hybridity expressed in communication by microenterprises, and thus provide three contributions to the literature that directly address opportunities highlighted by Battilana and colleagues' (2017) recent review. First, we use ideas grounded in local and category legitimacy (Tracey, Dalpiaz, & Phillips, 2018) to combine perspectives on institutional logics and organizational identity in hybrid organizing. We find that a nation's economic freedom and its fragility affect the hybridity expressed in microenterprise communication, and that legitimacy-seeking at the meso- and micro-levels orient agents in their communications in different ways. Second, we conceptualize hybridity as a matter of degree rather than type. The institutional logics (Besharov & Smith, 2014) and organizational identity literatures (Pratt & Foreman, 2000) both imply that differences exist in the degree of hybridity, yet the preponderance of hybrid organizations studies focus on type. Focusing on degree of hybridity shifts conversations from hybrid entities (yes or no) to hybrid organizing. This approach is important for studying hybridity in complex environments within a global, networked world (Ferreira, 2014; Marano & Kostova, 2016). Finally, we use quantitative methods to examine institutional logics and organizational identities most often characterized by qualitative methods (Battilana et al., 2017). Larger, quantitative studies enable study of critical questions regarding the antecedents and moderators of hybrid organizing across multiple institutional environments.

THEORY AND HYPOTHESIS DEVELOPMENT

State Fragility, Economic Freedom, and Hybridity

On a global scale, and in the eyes of potential funders in developed countries, the category of microenterprises aligns with hybrid goals: social and community development is enabled by entrepreneurs who achieve financial sustainability in their operations, and are able to pay back their loans. These hybrid goals are clearly on display in online crowdfunding, when Kiva explains their impact through lender narratives that highlight the use of business proceeds

to fund social goals, such as education of children raised by single mothers and empowerment of women. Communicating a hybrid identity for a microenterprise aligns with the expectations of the funding crowd, pointing to the importance of “category-level legitimacy” (Tracey et al., 2018)—that is, to be viewed as a legitimate microenterprise in order to gain resource support from the online crowd.

However, on a local scale, the determinants of legitimacy can be vastly different, and what an entrepreneur can or cannot do in their daily operations is determined by their local institutions rather than the hybrid ideals of what ‘could be’. Any enterprise needs “local-level legitimacy”—that is, to be viewed as a legitimate organization in the institutional context where it operates (Fisher, Kotha, & Lahiri, 2016; Tracey et al., 2018).

In their quest for legitimacy, entrepreneurs' choices about where to focus their efforts are, to an extent, determined by institutional order (Baumol & Strom, 2007; Williams & Vorley, 2015). As such, their pursuit of hybrid goals should also reflect this institutional order (Anheier & Krlev, 2014). However, the worldwide unraveling of key democratic and economic institutions is directing attention to the fragility or stability of such institutions. Despite the importance of institutional stability for business, entrepreneurship theory has been lacking a systematic explanation of how uncertain institutional arrangements affect entrepreneurial decision-making (Tolbert et al., 2011; Bylund & McCaffrey, 2017), including decisions concerning the primary social and financial goals of the enterprise. The construct of state fragility captures adversity at the macro (country) level, where the citizens' social disadvantage can be a result of war, inequality (income, class, ethnic, racial, gender), conflict, poverty, displacement of people, poor state legitimacy and rule of law, or deficiencies in access to healthcare, education, sanitation, power, infrastructure, human rights, and judicial fairness. We introduce state fragility (in the home country of a microenterprise) as an antecedent of hybrid organizing by microenterprises.

Microenterprises remain highly constrained by their need for legitimacy (Pache & Santos, 2013), and the primary source for microenterprise legitimacy is the institutional environment at home. The ‘institutional freedom’ of hybridity can only be leveraged by those whose legitimacy is secure in the first place (Pache & Santos, 2013). For microenterprises, this means that local legitimacy is paramount (Tracey et al., 2018). Yet institutional logics that grant legitimacy in fragile states are weak and uncertain, making it difficult for microenterprises to follow the rules of the game. As such, rather than adding complexity by attending to multiple logics, entrepreneurs in such environments are likely to prefer simple forms for their microenterprises over complex ones. Gaining legitimacy is particularly important for microenterprises, which are highly vulnerable because of their small size and typically precarious financial position. As such, under state fragility they are likely to communicate the more accepted, rather than contested and novel, goals:

H1: Microenterprises from fragile states communicate less hybridity in their funding pitches than microenterprises from stable states.

Gender Dynamics and Hybrid Communication by Microenterprises

In addition to being influenced by institutional forces, microenterprises and their hybrid identities are a reflection of the microentrepreneurs themselves. One key aspect of founder identity is their gender. Across various domains of leadership and management, and across

cultures, men are widely thought to be more capable and more competent than women (Thebaud, 2010). In particular, in contexts where tasks are male-typed, women lack legitimacy as competent actors (Ridgeway & Correll 2004). Research widely confirms that entrepreneurship is one such male-typed activity (Thebaud, 2010); entrepreneurship is strongly associated with stereotypically masculine characteristics (e.g. Gupta et al., 2009). Perceptions of women as ‘lesser’ entrepreneurs are reflected, for example, in the challenges they face when trying to secure enterprise funding (Coleman & Robb, 2016).

The microfinance movement started, and has continued to grow, with a specific focus on helping women secure loans and access to financing. Many MFIs specifically target women. Yet, since enterprising is traditionally thought of as a masculine domain, it follows that individuals and organizations that emphasize a female focus often lack legitimacy in entrepreneurship (Thebaud, 2010; Hechavarría et al., 2017; Dimitriadis et al., 2017). Previous research on hybrid organizations demonstrates how low-legitimacy organizations that enter a field where multiple logics prevail, strategically incorporate a majority of elements from the predominant logic of the field to gain legitimacy and acceptance (Pache & Santos, 2013). In the context of MFIs focusing on women customers, we would expect them to adopt a traditional enterprise focus in their communication, rather than an innovative hybrid format, as their focus on women customers means that they are perceived as less legitimate organizations (Sherer & Lee, 2002).

H2: Microenterprises served by funding institutions (MFIs) that focus on women communicate less hybridity in their funding pitches than microenterprises served by MFIs that do not have a female clientele focus.

The lack of legitimacy that women entrepreneurs face is a global pattern (Zhao & Lounsbury, 2016). At the extreme, women in some countries struggle to gain even the basic normative social approval as entrepreneurs, and are not even informally ‘authorized’ to conduct business. Beyond that, women entrepreneurs often face barriers in committing key stakeholders, such as funders, to their ventures (Suchman, 1995). The gendered nature of entrepreneurial finance is a well-known phenomenon, and even in countries with relatively high levels of gender equality women entrepreneurs who seek funding are treated differently than men (Kanze, Huang, & Conley, 2018). Thus, lacking in both sociopolitical (formal) legitimacy and cognitive (informal) legitimacy (Aldrich & Fiol, 1994), women entrepreneurs are more likely to align themselves with an established category of ventures rather than the novel and uncertain category of hybrid enterprises. As they already suffer from the lack of legitimacy, they are more likely to avoid, rather than embrace, hybrid claims so as to avoid further undermining of their precarious position. Indeed, previous empirical research has found that female founders of social sector organizations are less likely than men to incorporate hybrid activity in their ventures (Dimitriadis et al., 2017). We extend this thinking to the domain of microenterprises, where women are expected to pursue legitimacy by aligning their businesses with simple institutional logics of commercial or social focus, rather than trying to pursue hybridity:

H3: Microenterprises operated by women communicate less hybridity in their funding pitches than microenterprises operated by men.

Moderation Effects on Hybrid Communication by Microenterprises

The legitimacy of women's entrepreneurial activities are more strongly affected by some cultural and institutional forces than those of men (Hechavarria et al., 2017). For example, previous research has shown that, compared to men, women are less likely to engage in entrepreneurship in countries with hostile institutional environments (Estrin & Mickiewicz 2011). Overall, challenging institutional and cultural contexts may more strongly affect women's entrepreneurship compared to men's (Bullough et al. 2017). At the societal cultural level, women face long-established legitimacy limitations and strong role expectations that can affect their engagement in entrepreneurship as well as, importantly, the types of organizations they would form (Ayman & Korabik, 2010). At the same time, for entrepreneurs to embrace hybridity despite disabling macro-level forces, such as state fragility, their legitimacy in business has to be established first. Male entrepreneurs are thought to be more legitimate than women (Dimitriadis et al., 2017). If women's businesses are more susceptible to the surrounding societies' institutional failures, we would expect to see macro-level state fragility and gender interact in the context of hybrid communication as well:

H4: MFI's focus on women microentrepreneurs moderates the relationship in H1 such that the negative relationship between state fragility and microenterprise communications of hybridity is stronger for microenterprises served by women-focused MFIs than for others.

H5: Microentrepreneur's gender moderates the relationship in H1 such that the negative relationship between state fragility and microenterprise communications of hybridity is stronger for women than for men.

METHODS

Our sample included 329,529 microloans made through the crowdfunding platform Kiva between 2006 and 2014. The three data sources included microentrepreneur and loan information from Kiva, arguably the largest source for crowdfunded microloans. The Fund for Peace is the creator of the Failed States Index, used for over 25 years in academic and government research. Data on the MFIs that partner with the microentrepreneurs and administer the loans came from MixMarket, the largest source of data on microfinance institutions.

Our dependent variable is *communicated hybridity*, calculated as the absolute difference between an emphasis on economic and social/ environmental themes in the online venture description. Values for these two themes were determined through computer-assisted textual analysis, as per the process validated by Moss and colleagues (2018).

The three independent variables included *state fragility*, and is based on assessment of conflict within a country. It relies on both qualitative and quantitative indicators from public source data, and includes 4 categories with 12 indicators. *MFI focus on women* was taken from MixMarket and reports whether or not an MFI has a stated focus on promoting entrepreneurship among women, no (0) or yes (1). Finally, the *sex of the microentrepreneur* was reported by Kiva, coded as female (0) and male (1). Dependent and independent variables were standardized via *z*-scores and winsorized at the 0.001 level to reduce the effect of outliers.

Controls included *Loan Significance*, or the ratio of loan amount to GDP per capita. *Word count* is the number of words in the venture description, while *tangible assets* measured the words in the venture description related to tangible assets, like inventory or cash. *Intangible*

assets gauged words in the venture description related to intangible assets, like skills or intellectual property. We also controlled for *MFI size* as the number of loans outstanding in the MFI, and *MFI age* as years since founding, because older and larger MFIs might be expected to influence the hybridity of communication by microenterprises. *MFI loan risk rate* was measured as the default rate of the MFI's loan portfolio and *MFI financial sustainability* was coded as 1 (yes) if the MFI is financially self-sufficient, 0 (no) if it relies on philanthropy in order to stay solvent. Finally, *MFI outreach* is a dummy variables for scale of outreach (broad, medium, or narrow).

We conducted our analyses using hierarchical linear modeling, with individual microenterprises nested within 133 MFIs nested within 49 countries (3-level model).

RESULTS & IMPLICATIONS

We found support for four out of five hypotheses (H1, H2, H4, and H5). Fragile states were related to less hybridity in communications ($\beta = -0.16, p < 0.001$), as was an MFI focus on women microentrepreneurs ($\beta = -0.04, p < 0.001$). Additionally, women-focused MFIs and women microentrepreneurs moderated the relationship between fragile states and hybridity in communications ($\beta = -0.12, p < 0.001$ and $\beta = -0.05, p < 0.001$, respectively). There was no significant relationship for women microentrepreneurs and hybridity in communication (H3).

We conducted three additional robustness tests. We first combined all main effects and moderators into one model, with similar supported results. We next removed the country with the greatest number of observations in our sample (Philippines, 21%) for a second test, and removed the industry with the greatest number of observations (agriculture, 26%) for a third test in the event that these populations skewed the results. We found consistent results for our findings in all robustness tests.

Our work has implications for the real-life situations of millions of microentrepreneurs running their enterprises the world over. The World Bank estimates that 83 percent of businesses in emerging markets (or roughly 74 million businesses) are classified as microenterprises with between 1-9 employees (Kushnir, et al., 2010). Our results suggest that microenterprises in fragile states communicate significantly less hybridity than those in less fragile countries, and that this effect is magnified for women microentrepreneurs. Interpreting hypothesized results from the main effects coefficients based on z-scores between -1 and +1 standard deviations, we show that hybridity in communication (balance) decreases by 0.32 standard deviations as state fragility increases (12.7% based on normal curve percentages), increases by 0.28 standard deviations as economic freedom increases (11.1%), and decreases by 0.08 standard deviations (3.0%) when an MFI targets women microentrepreneurs.

REFERENCES AVAILABLE FROM THE AUTHORS